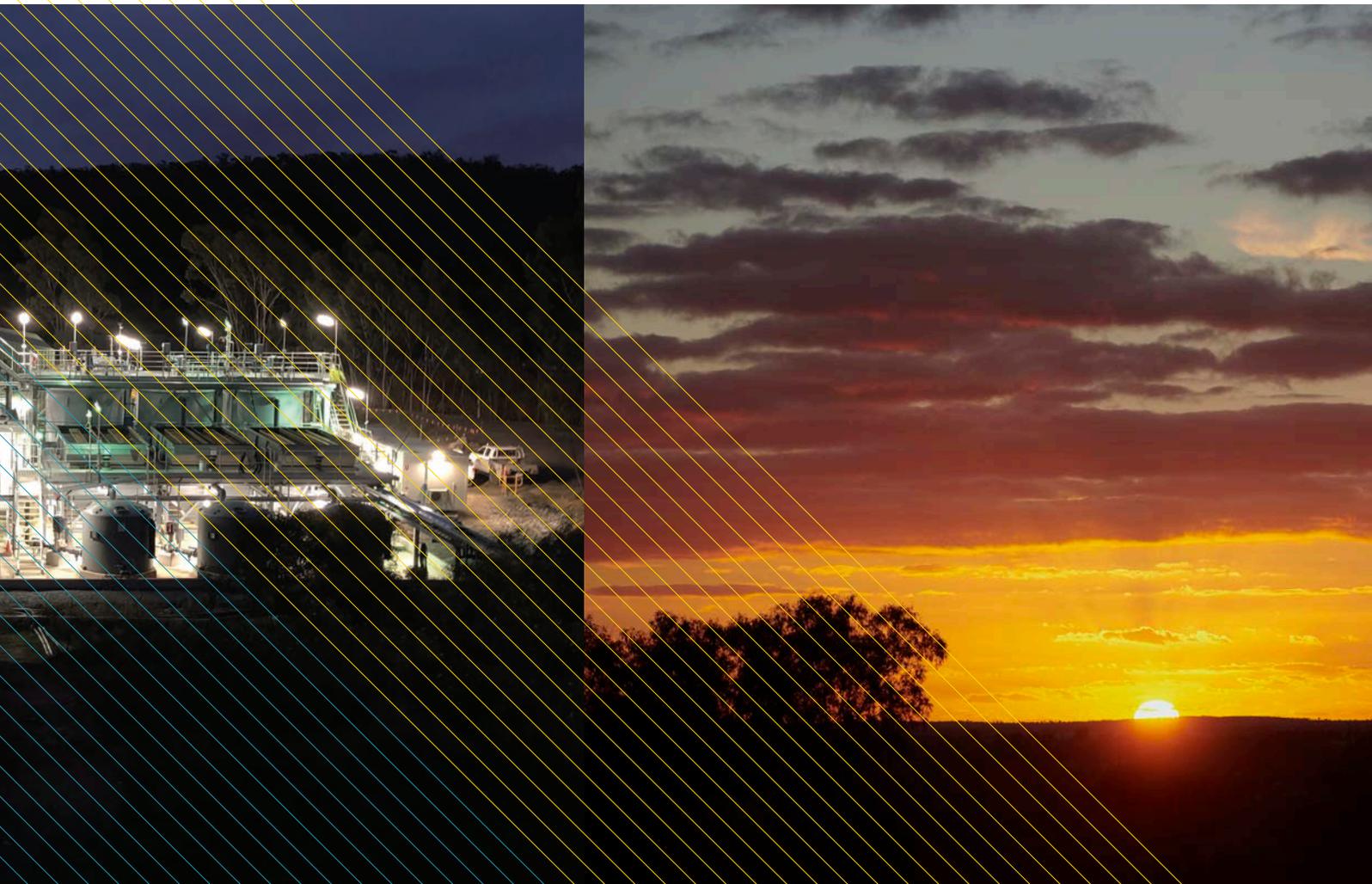


EMPOWERING THE CLEAN REVOLUTION

CLEAN TEQ HOLDINGS LIMITED Annual Report **2019**



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WE CONSISTENTLY APPLY OUR VALUES TO ALL WE DO.



Invested

We achieve positive outcomes for all our stakeholders. We are committed to creating and sustaining value from Clean TeQ's core technologies.



Connected

We actively interact to leverage our combined capabilities and create mutually beneficial outcomes.



Prepared to be different

We have the courage to pursue excellence and are prepared to do things differently to add value, while managing the risks in our business.



OUR VISION IS TO EMPOWER THE CLEAN REVOLUTION

WE APPLY OUR TECHNOLOGIES TO FIND BETTER WAYS TO SOLVE PLANET EARTH'S MOST PRESSING ENVIRONMENTAL PROBLEMS.

Clean TeQ Sunrise

The Clean TeQ Sunrise battery materials complex is an advanced nickel, cobalt and scandium mining and processing Project located in Central West New South Wales, Australia.

With the application of our continuous ion-exchange processing technology, Clean TeQ Sunrise will be a leading global supplier of nickel and cobalt sulphates to the lithium-ion battery industry. It will also produce low-cost scandium for use in next-generation lightweight aluminium alloys for key transportation markets.

Clean TeQ Water

Clean TeQ's water division uses our proprietary technologies, including Continuous Ionic Filtration & Exchange (CIF®) and DeSALx®, to deliver solutions to the world's most challenging water treatment problems. These technologies are designed to handle the most demanding waters to provide best in class performance in water recovery and plant operability.

Our technology delivers cost-effective process water treatment solutions for power, mining and industrial applications. It also treats ground, surface and grey water into potable water suitable for municipalities.

Our technology

Clean TeQ's technology development team continues to advance its work in the development of graphene oxide nanofiltration membranes and adsorbents, as well as ongoing development of the CIF® technology for water treatment applications.

MESSAGES FROM THE CO - CHAIRMEN



I am impressed by the ongoing developments at Clean TeQ, as the Company pursues innovative solutions to our planet's most pressing environmental problems. In doing so, Clean TeQ has been able to demonstrate that successful partnerships and trust can truly exist between Australian and Chinese companies.

With the completion of the Clean TeQ Water demonstration facility in Inner Mongolia, China for Jiutai New Material, Clean TeQ has proven the efficiency and cost effectiveness of the Clean TeQ continuous ion exchange process. Firsthand, we are solving the difficult challenge of removing hardness from highly saline brines in a very arid region of China where fresh water sources are scarce and water recycling is critical.

The global significance of the Clean TeQ Sunrise battery materials complex is without parallel. This key source of nickel, cobalt and scandium will provide the world with a reliable, ethical, multi-generational supply of these metals critical to powering the electric revolution. The change coming to the global transport industry will be profound, and China's electric vehicle industry has an important role to play as we move away from our planet's dependence on fossil fuels that have characterised the past 100 years of transport industry development.

Clean TeQ is entering a critical year of transformation with the financing and investment into the Clean TeQ Sunrise battery materials complex and I believe that strong foundations have been laid to ensure the success and future prosperity of this critical Project.

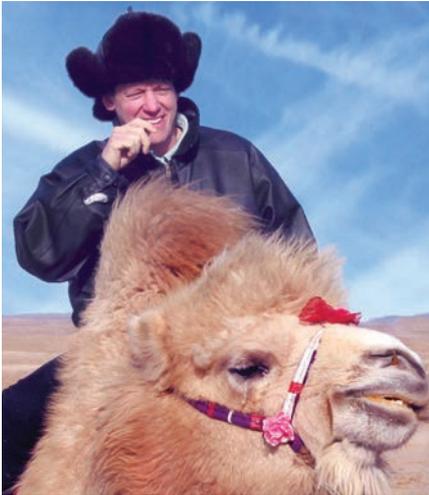
Mr Jiang Zhaobai
Co-Chairman

Clean TeQ的持续发展给我留下了深刻的印象，因为该公司寻求创新方案来解决全球最紧迫的环境问题。通过这样做，Clean TeQ 证明了澳大利亚和中国公司之间可以真正建立起成功的合作伙伴和信任关系。

随着中国内蒙古久泰新材料有限公司（Jiutai New Material）Clean TeQ水处理示范工程的完成，Clean TeQ已经证明了其连续离子交换工艺的高效率和成本效益。直接地说，在中国淡水资源匮乏、水循环至关重要的干旱地区，我们正在解决去除高盐卤水硬度的难题。

Clean TeQ Sunrise 电池复合材料项目（Clean TeQ Sunrise Battery Materials Complex）的全球意义是无与伦比的。该项目中镍、钴和钪的关键矿源将为世界提供可靠的，合乎道德的，能够多代供应的金属矿，这对于推进电气革命来说意义重大。全球运输业将发生意义深远的变化，随着全球正摆脱过去100年间运输业发展中对化石燃料的依赖，中国电动交通工具行业将发挥至关重要的作用。

Clean TeQ Sunrise 电池复合材料项目的融投资，意味着Clean TeQ进入了转型的关键一年，我相信，为确保这一关键项目的成功，和未来繁荣的实现，我们已经奠定了坚实的基础。



Our world is standing at historic crossroads. Our urbanizing cities are growing rapidly, yet they contribute to unprecedented levels of particulate pollution in the air we breathe, and ever-decreasing availability of clean drinking water. Clean TeQ is positioned to play an increasingly important role in helping to build a sustainable future for the world's urbanizing population, through the company's proprietary leading-edge technologies.

An estimated 92% of people on Earth live with outdoor air quality that fails to meet World Health Organization guidelines, putting their health at risk. Study after study has linked air pollution to heart disease, chronic kidney disease, diabetes, dementia, and premature births.

Our evolving expectations for clean air and water will demand smart thinking when it comes to applying technologies and materials to the planning and building of sustainable cities and the safeguarding of critical environments. Radical changes are required to effectively manage air quality, electrify transportation to move away from burning fossil fuels, and distribute and store large volumes of clean electricity.

The essential metals required to fuel this high-tech, all-electric and urbanized planet of the future are copper for wiring in electric vehicles, chargers and 'smart' power grids; and nickel and cobalt, specifically in the form of high-purity sulphates, for use in electric-vehicle batteries. Scandium also will be critically important in high-strength alloys as we look to lightweight our vehicles and structures for better energy efficiency. Clean TeQ, with its Sunrise battery materials complex in Australia, is positioned to be among resource industry leaders at the forefront of the drive to produce and utilize metals such as cobalt, nickel and scandium.

We anticipate that global demand for high-purity nickel and cobalt sulphates, and scandium products, will grow very fast. We see limited capacity for greenfields growth on the critical-metals supply side of the mining industry, with the Sunrise Project being one of the few exceptions.

Access to clean drinking water is a human right but fresh supplies continue to deteriorate globally. Clean TeQ Water is playing an important role in developing leading-edge technologies that secure sustainable, ultraclean water supplies for communities and businesses worldwide. That technology is delivering real outcomes, such as the commissioning of ion exchange plants in Australia, the Democratic Republic of the Congo and Oman. The team also has recently completed a demonstration facility in Inner Mongolia, China.

The Clean TeQ management team and our staff have made strong progress over the course of the last year. Clean TeQ and our partners share a vision of the forces now shaping future markets for metals. Together, we will set an important example of business cooperation between China and Australia. The board and management of your company remain confident in and excited about Clean TeQ's bright future.

Mr Robert Friedland
Co-Chairman

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



We continue to push ahead with our vision to empower the clean revolution, supported by strong demand for our technology and products. It is rewarding to witness the evolution of Clean TeQ as we meet key milestones in our development and find solutions to address the planet's most pressing environmental problems.

I am pleased to report that this year we kept our people safe, received zero community complaints, reported no environmental issues and exceeded our gender diversity target. We implemented an integrated platform to record, manage and report all health, safety, environmental and stakeholder interactions. These achievements are the foundations that will support our people and our business as Clean TeQ continues to grow.

Clean TeQ Sunrise is our flagship Project, with interest from the market reinforcing its importance as a future battery materials complex. Once constructed, Sunrise will be one of the largest integrated battery materials producers in the world, supplying the battery cathode materials – nickel and cobalt sulphate - that are absolutely fundamental to the cost structure and quality performance of today's electric vehicle battery industry. By applying our proprietary ion exchange technology for the recovery of these key metals, we are building the next generation of nickel/cobalt mines that are lower risk, lower cost and dedicated to producing the materials that the battery industry needs.

Throughout the year, solid progress was made on design and engineering, with over 150 engineers in Australia and China working to support tendering for long lead items, procurement and site delivery.

Meanwhile, on the ground in New South Wales, Australia, we secured approval for Modification 4 to the Project's development consent, which further optimises its potential. We welcomed senior members of government to the site and signed a landmark Voluntary Planning Agreement with the Shire Councils of Lachlan, Parkes and Forbes. The Clean TeQ team continues to work diligently in maintaining excellent community relations and government support, thereby ensuring our social licence to operate.

Of significance this year has been our ongoing Project financing and offtake discussions with a range of counterparties, including global automobile and consumer electronics manufacturing companies seeking high-purity nickel and cobalt sulphates.

The Clean TeQ Sunrise battery materials complex is uniquely positioned to benefit from three disruptive macroeconomic trends. Increasingly, government policy in Europe and Asia is setting ambitious targets for electrification of urban transport, which will drive up demand for high-grade nickel and cobalt sulphates used in electric vehicle batteries. Supplies of battery-grade nickel sulphates are constrained by a global shortage of economically viable Class 1 nickel sulphide deposits. Environmentally-aware consumers are exerting growing pressure on manufacturers to show that their supply chains are sustainable, ethical and auditable.

These trends indicate that long-term demand for stable supplies of our scarce battery-grade nickel and cobalt sulphates will increase in line with demand for lithium-ion batteries. A battery revolution will ultimately drive raw materials demand and a need for our products. Expected increases in demand have been confirmed by enquiries from a range of investors and battery manufacturers across the global electric vehicle supply chain. All expressed strong interest in investment opportunities presented by the Clean TeQ Sunrise battery materials complex.



Our pilot plant program has continued to demonstrate the robustness of the Clean TeQ Sunrise process flow sheet and confirmed our ability to produce very high-quality sulphates. As a Project of global significance, Clean TeQ Sunrise will provide a long-term, stable source of critical raw materials for the lithium-ion batteries market.

Our near-term goals at Clean TeQ Sunrise include the progression of engineering and the arrangement of the comprehensive financing package for the Sunrise battery materials complex. This financing package is being coordinated with Macquarie Capital and may encompass the sale of project level ownership, long-term offtake and other financing arrangements.

In addition, Macquarie Capital will work in parallel with the syndicate of four leading global banks forming the Mandated Lead Arrangers to provide a Sunrise Project debt facility targeting at least 50 percent of the total funding requirements. We remain focused on ensuring that any financing solution demonstrates the true value of Clean TeQ Sunrise and will be beneficial to all shareholders and stakeholders.

Our Clean TeQ Water business continues to thrive as key projects have been delivered around the globe and are proceeding through their commissioning phases. Specifically, the team has successfully constructed and are now commissioning three commercial-scale ion-exchange metal recovery and water purification plants in Australia, the Democratic Republic of the Congo and Oman. Furthermore, a successful demonstration plant in Inner Mongolia, China has proven the effectiveness of our ion exchange technology to remove water hardness.

Successful delivery of all these plants is a valuable platform for the future growth of Clean TeQ Water. They validate the adaptability of our proprietary ion exchange technology for commercial metal extraction and waste water treatment.

Our technology team is developing Clean TeQ's next generation of industrial products. Development of graphene oxide nanofiltration membranes and evolution of our CIF[®] technology for water treatment applications continues. As the need for fresh water sources continues to grow, so do the applications for our CIF[®] system, which are almost limitless.

Recently, Clean TeQ and Ionic Industries created a joint venture company called NematIQ to pursue the development of graphene oxide membranes for water treatment applications. These nanofiltration membranes allow for higher flow rates and are less likely to become blocked-up and fouled. As a result, the graphene oxide membranes have the potential to deliver lower operating costs, longer membrane life and lower maintenance costs. Their work goes to the heart of what Clean TeQ stands for.

We have set ambitious goals for ourselves, but I have an implicit belief in our people and their ability to meet these challenges. With our suite of projects positioned to reach various milestones in the year ahead, it's shaping up to be an exciting time. I thank all our shareholders for your ongoing support and belief in Clean TeQ's vision, and the hard work of our staff. Every day we are making progress towards empowering the clean revolution.

Sam Riggall
Chief Executive Officer

CLEAN TEQ SUNRISE BATTERY MATERIALS COMPLEX

**Set to be one of
the world's largest
integrated suppliers
of high purity battery
grade nickel sulphate
and cobalt sulphate.**



CLEAN TEQ SUNRISE

LOCATED IN NEW SOUTH WALES, AUSTRALIA AND RAPIDLY PROGRESSING TOWARDS FULL SCALE DEVELOPMENT.

Clean TeQ Sunrise battery materials complex is our construction-ready flagship nickel, cobalt and scandium Project. Once in production, it will be one of the world's largest integrated suppliers of high purity battery grade nickel sulphate and cobalt sulphate, the key raw materials in the production of cathodes for lithium-ion batteries. The Project has obtained all key permits and approvals and is development ready.

Clean TeQ Sunrise has been designed as a fourth-generation pressure acid leach plant which incorporates key learnings from past nickel laterite projects.

Unique among nickel laterite projects with its high cobalt content, low acid-consuming elements and simple mining operations, the Project is favourably located in a safe and established mining jurisdiction in Central West New South Wales, Australia.

Within the global market for battery cathode material supply, Clean TeQ Sunrise stands out as the most advanced development project, capable of bringing significant new nickel and cobalt supply to the electric vehicle market. A Definitive Feasibility Study was completed in June 2018, which demonstrated the robust economics and long mine life (40+ years) for the Project.

Clean TeQ Sunrise is a highly strategic asset in the lithium-ion battery supply chain as one of the largest development-ready nickel and cobalt resources in the world.



Telstra lays fibre-optic cable to the Clean TeQ Sunrise site.



The Clean TeQ community coffee cart is popular with our communities.

HIGHLIGHTS OF THE YEAR

The work undertaken during the 2019 Financial Year saw the Clean TeQ Sunrise battery materials complex progress towards the commencement of construction. Specifically, we have:

1. Appointed Metallurgical Corporation of China Ltd (MCC) to progress process design engineering for Clean TeQ Sunrise.
2. Established an integrated project delivery model under which engineering and design is well advanced.
3. Confirmed the engagement of Fluor Australia Pty Ltd as Sunrise Project Management Contractor to work with the Clean TeQ owner’s team including overseeing the execution of associated non-process infrastructure and facilities.
4. Successfully completed a further test work program on Sunrise nickel/cobalt ore at the pilot plant in Perth, which confirmed the very high metal extraction and recovery rates of the proposed Sunrise processing plant.
5. Appointed Macquarie Capital to run a partnering process for Clean TeQ to consider divestment of up to a 50 percent interest in Clean TeQ Sunrise, in combination with long-term offtake.
6. Received approval of Modification 4 to the Clean TeQ Sunrise Development Consent. In January 2019 Clean TeQ Sunrise also received an Environment Protection Licence for the construction phase of the Project.
7. Signed a Voluntary Planning Agreement with the Shire Councils of Lachlan, Forbes and Parkes. This agreement represents an important financial commitment to our host communities which ensures the benefits of the Project will be shared among all our stakeholders.
8. Progressed ongoing works on site in NSW which included surveying of the water pipeline route, engineering of the water pipeline and site preparations such as security fencing, vegetation management and telecommunications.
9. Invested in ongoing research into new applications for scandium-aluminum alloys aimed at developing and growing the demand for scandium, a valuable by-product which will be produced in significant quantities at Sunrise.

THE CLEAN TEQ SUNRISE BATTERY MATERIALS COMPLEX

	Scale:	One of the largest nickel and cobalt resources outside Africa
	Low-cost:	Low first-quartile position on the nickel cost curve
	Efficient:	A simplified flow sheet taking metals directly to battery precursor raw materials
	Market:	Positioned to meet global nickel and cobalt supply constraints
	Secure:	Stable, low-risk mining jurisdiction gives credibility and auditability

CLEAN TEQ WATER SOLUTIONS TO THE WORLD'S MOST CHALLENGING WATER TREATMENT PROBLEMS

**Our water technologies
deliver sustainable, cost-
effective solutions to the
most challenging industrial
and municipal water
treatment problems.**



CLEAN TEQ WATER

FOCUSED ON COMPLETING KEY PROJECTS AROUND THE GLOBE.

These Clean TeQ systems, located in Australia, the Democratic Republic of the Congo and Oman are the first of their type anywhere in the world and were deployed as part of three different technical solutions. The successful delivery and commissioning of these plants demonstrates the efficacy of our suite of proprietary ion exchange technologies and their versatility for metal extraction and waste water treatment. As commercial scale plants, the facilities provide a valuable platform from which to rapidly grow Clean TeQ Water.

With teams based in Beijing, China, and Melbourne, Australia, our Clean TeQ Water business continues to establish itself as a leading player in both water treatment and the sustainable use of fresh water resources.

HIGHLIGHTS OF THE YEAR

Australia

Clean TeQ was engaged to design, supply and commission a two million litre-per-day Clean TeQ DeSALx® mine water treatment plant at Fosterville Gold Mine in Victoria, Australia.

The plant is designed to deliver a sustainable water management solution by treating process water for reuse in mine operations.

Construction was completed during the year in review, with installation finalised and plant commissioning underway.



Clean TeQ CIF® plant constructed and awaiting commissioning, Oman.



Water treatment plant - Fosterville Gold Mine, Australia.

Oman

Engineering, delivery and construction of the Clean TeQ waste water treatment plant delivered in partnership with Multotec Process Equipment Pty Ltd (Multotec) was completed this year.

The final commissioning phase will commence later in 2019 when Multotec begins delivering waste water to the CIF® plant for treatment.

Democratic Republic of the Congo

Clean TeQ was engaged to design and construct a Continuous Resin-In-Column Ion Exchange (cLX) plant to treat up to 20 million litres-per-day of a cobalt-rich raffinate stream. This will remove contaminant metals and improve the quality and environmental rank of the raffinate, prior to further processing.

Construction is complete with hot commissioning underway. Initial tests showed that the cLX plant is performing well, exceeding design expectations.

China

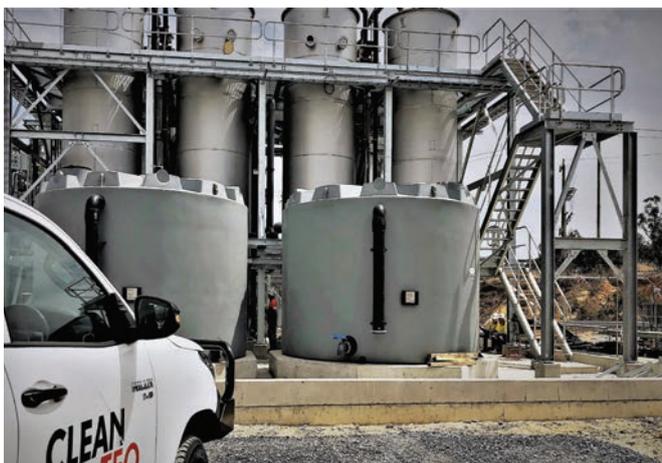
Clean TeQ expanded its water technology platform during the financial year with the acquisition of an encapsulated bacteria technology from LentiKats, comprising technology licences and a production plant for the manufacture of encapsulated bacteria CleanBio lenses.

The LentiKats technology is focused on encapsulated bacteria, which is useful in water treatment applications given the bacteria’s ability to break down and remove over 90 percent of harmful nitrates and ammonia from waste water. We have established a production facility for CleanBio lenses in China for application in our growing pipeline of global projects.

Clean TeQ also undertook a water hardness removal demonstration project in Inner Mongolia, China for Jiutai New Material (Jiutai).

The objective was to verify, at demonstration scale, the cost effectiveness of our CIF® process to remove hardness from high salinity brines to increase the recovery rates of subsequent membrane systems. This ultimately improves water recoveries for recycling and reduces the volume of polluting waste brine, allowing substantial improvement in the efficiency of existing or new membrane systems.

The successful completion of this project demonstrates yet another application for our water technology.



Clean TeQ plant installation at Fosterville Gold Mine, Victoria, Australia.



Clean TeQ Continuous Resin-In-Column Ion Exchange plant in DRC.

TECHNOLOGY DEVELOPMENT

MARKET LEADING PROPRIETARY SOLUTIONS FOR WATER AND METAL PROCESSING.

The successful development and application of Clean TeQ's proprietary technology is an important enabler of our future accomplishments. Our technology team is advancing the development of graphene oxide nanofiltration membranes and, during the 2019 financial year, established a new joint venture to progress this application.

Graphene oxide membranes

Graphene and graphene oxide are the world's thinnest, strongest and most conductive materials yet discovered. In conjunction with Monash University and Ionic Industries, our research into the use of graphene oxide for filtration and separation is well underway. For this purpose, a joint venture – NematiQ - has been established with Ionic Industries. This entity is focused on refining the technical specifications of the graphene oxide raw material for commercial production of the filtration layer of graphene oxide membranes.

NematiQ has established a factory and office premises in Melbourne, Australia, adjacent to the existing Clean TeQ head office and laboratory. A plant for the manufacture of high purity graphene oxide has been designed and installed at NematiQ's premises, with graphene oxide produced by the facility to be used for larger scale manufacture of graphene oxide membranes. Membranes produced during this time will be used for certification and in-situ demonstration purposes.

Successful development of graphene oxide membranes has the potential to allow Clean TeQ Water a commercial opportunity to provide the water purification market a filtration product that is superior to current industry-standard polymer nanofiltration membranes.



Dr Sam Martin and Dr Sebastian Hernandez, NematiQ, with graphene oxide membranes produced on an industrial printer at Notting Hill, Victoria, Australia.

SUSTAINABILITY

EMPOWERING THE CLEAN REVOLUTION AND A SUSTAINABLE GLOBAL FUTURE.

We are committed to creating a sustainable, value-creating business through innovation and disruptive change.

Clean TeQ Sunrise will produce products critical to the clean energy revolution.

Clean TeQ Water is addressing global water treatment, recycling and fresh water management challenges.

Clean TeQ's technology is revolutionising the concept of sustainability in the world of water and metals.



A seed propagation pot made by a child from recycled newspaper at our school holiday BBQ in Condobolin, Australia.

SUSTAINABILITY ACHIEVEMENTS 2019

	Safety:	Built the foundations of a strong, leadership-driven safety culture
	Systems:	Implemented INX management platform to harmonise Health, Safety and Environment (HSE) reporting and data management across the business
	Innovation:	Worked to design, construct and operate our projects to minimise impact on the environment, our communities, energy and natural resources
	Regulation:	Met or exceeded the regulatory requirements where we worked
	Relationships:	Built our social licence to operate by working in a spirit of togetherness with the people and organisations in our operating footprint
	Diversity:	Built a diverse, equal opportunity work environment where everyone is treated fairly and respectfully, and can reach their potential

BOARD OF DIRECTORS



Mr Robert Friedland
Co-Chairman and Non-Executive Director



Mr Jiang Zhaobai
Co-Chairman and Non-Executive Director



Mr Sam Riggall
Managing Director and
Chief Executive Officer



Ms Stefanie Loader
Lead Independent Non-Executive Director
Chair of the Nomination, Remuneration
and Governance Committee
Member of the Sustainability
and Risk Committee
Member of the Audit
and Finance Committee



Mr Ian Knight
Independent Non-Executive Director
Chair of the Audit and Finance Committee
Member of the Nomination, Remuneration
and Governance Committee



Mr Eric Finlayson
Non-Executive Director
Member of the Nomination, Remuneration
and Governance Committee



Mr Shawn Wang
Non-Executive Director
Member of the Sustainability
and Risk Committee



Ms Judith Downes
Independent Non-Executive Director
Member of the Audit
and Finance Committee



Mr Michael Spreadborough
Independent Non-Executive Director
Chair of the Sustainability
and Risk Committee

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the year ended 30 June 2019

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange ('ASX') Listing Rule 4.2A and Appendix 4E for the for the consolidated entity consisting of Clean TeQ Holdings Limited and its controlled entities for the financial year ended 30 June 2019 ('financial year') compared with the year ended 30 June 2018 ('comparative year').

All currencies shown in this report are Australian dollars unless otherwise indicated.

Revenue from ordinary activities	Increased 2% to \$4,172,000	
Loss from ordinary activities after tax attributable to members	Increased 12% to \$17,921,000	
Net loss for the period attributable to members	Increased 12% to \$17,921,000	
	2019	2018
Net tangible assets per ordinary security (cents)	30.56	32.63

Dividends

There were no dividends paid or declared during the financial year or the comparative year

Revenue from ordinary activities in the financial year was greater than the comparative year due primarily to an increase in contract income from the Water Division and interest income received.

Losses from ordinary activities in the financial year were greater than the comparative year due primarily to an increased level of general corporate activity resulting in increases expenses relating to legal and professional fees, marketing costs and occupancy costs. Note that the majority of expenses relating to the Clean TeQ Sunrise Nickel-Cobalt-Scandium Project were capitalised during the financial year and the comparative year.

Further commentary on the consolidated results and outlook are set out in the Review of Operations section of the Directors' Report.

The Company's 2019 Corporate Governance Statement was released to the ASX on 22 August 2019 and is available at www.cleanteq.com

Independent auditor's report

The Consolidated Financial Statements, upon which this Appendix 4E is based, have been audited.



**DIRECTORS'
REPORT
FOR THE
YEAR ENDED
30 JUNE 2019**

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DIRECTORS' REPORT

For the year ended 30 June 2019

The directors present their report, together with the financial statements, for 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 (referred to hereafter as the 'Consolidated Entity'), for the financial year ended 30 June 2019, and the auditor's report thereon.

DIRECTORS

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

- Robert Friedland (Co-Chairman and Non-Executive Director)
- Jiang Zhaobai (Co-Chairman and Non-Executive Director)
- Sam Riggall (Managing Director and CEO)
- Stefanie Loader (Lead Independent Non-Executive Director)
- Li Bingham (Non-Executive Director - retired 6 March 2019)
- Judith Downes (Independent Non-Executive Director - appointed 27 September 2018)
- Eric Finlayson (Non-Executive Director)
- Ian Knight (Independent Non-Executive Director)
- Michael Spreadborough (Independent Non-Executive Director)
- Shawn Wang (Non-Executive Director - appointed 6 March 2019)

The Consolidated Entity announced on 27 September 2018 that Judith Downes had been appointed as a Non-Executive Director of the Company with effect from 1 October 2018. Judith has over 25 years of accounting and senior management experience, with a strong background in finance, audit and risk management with large ASX listed companies, as well as strong experience in governance, equity and debt markets, acquisitions, divestments and financial reporting.

Judith's most recent executive position was as Chief Financial Officer at Alumina Limited, where she was responsible for finance, accounting, treasury, investor relations and taxation. Prior to this, she worked for Australia and New Zealand Banking Group Limited for 12 years across various financial and accounting roles including as Chief Financial Officer and Chief Operating Officer (Institutional Division).

Judith currently holds other Board roles including Chairman of Bank Australia, Non-Executive Director of ASX listed medical technology company ImpediMed Limited and was until recently a member of the Commonwealth Government's Financial Reporting Council.

On 6 March 2019, the Consolidated Entity announced that Mr Shawn Wang has been appointed as a non-executive director. Mr Wang brings a wealth of valuable business experience to the Consolidated Entity having engaged in cross-border mergers and acquisitions and investment in natural resources for more than 10 years.

As Head of Business Development and Investment at Pengxin International Mining Co. Ltd (Pengxin Mining), Mr Wang is responsible for all investment activities in Pengxin Mining. Prior to his current role, Mr Wang was the president and founder of Hillroc Capital, a natural resources fund within the Pengxin Mining group. Mr Wang has led or participated in a number of major mining investment projects and has extensive experience in cross-border mergers and acquisitions in the mineral resources industry. Mr Wang holds a Master of Finance from the University of Essex in the United Kingdom.

Mr Li Bingham resigned as director on 6 March 2019 and was replaced by Mr Wang. The Board would like to thank Mr Li for his contribution.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

DIRECTORS' PROFILES

Name:	Mr Robert Friedland
Title:	Co-Chairman and Non-Executive Director
Qualifications:	Bachelor of Arts in Political Science from Reed College, Oregon, USA
Experience and Expertise:	<p>Mr. Friedland was appointed Co-Chairman of Clean TeQ on 8 September 2016. During the past 20 years of his career, Mr. Friedland has founded and led two prominent, international mining entities under the Ivanhoe Mines banner. He is Executive Co-Chairman and a director of Ivanhoe Mines Ltd., which has three major mine development projects and exploration underway in Southern Africa, including construction of three new mines, two of which are on world-scale mineral discoveries made by Ivanhoe Mines, in South Africa and the Democratic Republic of Congo. The company operated under the Ivanplats name after its founding in 1998 and assumed the Ivanhoe Mines name in 2013. The original Ivanhoe Mines, founded in 1994 and now named Turquoise Hill Resources, had extensive mining and exploration interests in the Asia Pacific Region. Mr. Friedland was Executive Chairman and Chief Executive Officer of the original Ivanhoe Mines until 2012, and also was President from 2003 to 2008. He directed Ivanhoe Mines' assembly of a portfolio of interests in several countries over 16 years and led the company's team that made the discoveries and initial development of the Oyu Tolgoi copper-gold-silver deposits in southern Mongolia. Rio Tinto acquired a controlling interest in the company in January 2012 and the company was renamed Turquoise Hill Resources in August 2012, which now is operating and continuing the development of Oyu Tolgoi. Before founding Ivanhoe Mines, Mr. Friedland was a co-founding principal investor in Diamond Fields Resources in late 1992. Assuming Co-Chairmanship in 1994 after company-funded exploration discovered high-grade nickel at Voisey's Bay in Canada, Mr. Friedland led negotiations for the subsequent sale of the tier-one discovery to INCO for C\$4.3 billion in 1996. The mine began production in 2005. Now owned by Vale, it is the world's fourth-largest nickel producer. Mr. Friedland also is Chairman and President of Ivanhoe Capital Corporation, his family's private, Singapore-based company founded in 1987 that specialises in providing venture capital, project financing and related services for international business enterprises, predominantly in the minerals, energy and communications technologies sectors. He was inducted into the Canadian Mining Hall of Fame in 2016.</p>
Other current directorships:	<p>Executive Co-Chairman, Ivanhoe Mines Ltd. Chairman & President, Ivanhoe Capital Corporation (private) Chairman & Co-Founder, I-Pulse Inc. (private) Chairman & Chief Executive Officer, High Power Exploration Inc. (private) Chairman, VRB Energy (private) Co-Chairman, SK Global Entertainment (private) Chairman, Ivanhoe Pictures (private) Ivanhoe Industries & Kietta (private)</p>
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	96,600,896 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Name:	Mr Jiang Zhaobai
Title:	Co-Chairman and Non-Executive Director
Qualifications:	EMBA, China International Business School
Experience and Expertise:	Mr Jiang took part in numerous engineering and construction projects following graduation from university in the 1980's. He later founded his own real estate development company in 1988. In 1997, Shanghai Pengxin Group Co., Ltd. was established with Mr Jiang as founding Chairman and he remains in that role to this date. Under Mr Jiang's leadership, Shanghai Pengxin Group has successfully developed a number of significant property projects, amounting to a total of six million square meters. Starting from real estate development including both residential and commercial as well as hotel industry, the group has diversified into a range of other sectors including modern agriculture, mining, environmental science and technology and financial investment. The group is now a diversified conglomerate with controlling interests in four listed companies in China. He was appointed a Director of Clean TeQ on 24 April 2017.
Other current directorships:	Chairman of Shanghai Pengxin Group Executive Chairman of Shanghai Entrepreneurs Association (private) Vice President of China Non-governmental Enterprise Directors Association (private)
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	92,518,888 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil
Name:	Mr Sam Riggall
Title:	Managing Director & Chief Executive Officer
Qualifications:	LLB (Hons), B.Com., MBA
Experience and Expertise:	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. Mr Riggall was appointed Chairman and Chief Executive Officer effective 1 July 2015. Mr Riggall resigned as Chairman and assumed the role of Managing Director effective 24 April 2017.
Other current directorships:	Syrah Resources Limited
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	26,440,247 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	654,644

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Name:	Ms Stefanie Loader
Title:	Lead Independent Non-Executive Director
Qualifications:	Bachelor of Science with Honours (Geology), University of Western Australia, Graduate Certificate in Applied Statistics, Murdoch University; MAIG; GAICD.
Experience and Expertise:	Ms Stefanie (Stef) Loader is a mining industry executive with experience in exploration, project evaluation and development, mining and corporate roles across seven countries and four continents. Residing in Central West NSW, Ms Loader was most recently Managing Director of Northparkes Copper and Gold Mine for CMOC International. Ms Loader began her career with Rio Tinto as an exploration geologist in Australia and was part of the discovery team for the Khanong copper deposit at Sepon in Laos. After exploration and evaluation roles in the Americas, Ms Loader was assigned to the office of Rio Tinto Chief Executive in London. Ms Loader also led the development of the Bunder diamond project in India. Ms Loader was appointed a Director of Clean TeQ on 28 June 2017, with effect from 1 July 2017.
Other current directorships:	St Barbara Limited
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of the Nomination, Remuneration and Governance Committee Member of the Sustainability and Risk Committee Member of the Audit and Finance Committee
Interests in shares:	100,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil
Name:	Ms Judith Downes
Title:	Independent Non-Executive Director
Qualifications:	BA (Hons), DipEd, GradDipBus (Acct), FAICD, FCPA, FCA
Experience and Expertise:	Ms Downes has over 25 years of accounting and senior management experience, with a strong background in finance, audit and risk management with large ASX listed companies, as well as extensive experience in governance, equity and debt markets, acquisitions, divestments and financial reporting. Judith's most recent executive position was as Chief Financial Officer at Alumina Limited, where she was responsible for finance, accounting, treasury, investor relations and taxation. Prior this, she worked for Australia and New Zealand Banking Group Limited for 12 years across various financial and accounting roles including as Chief Financial Officer and Chief Operating Officer (Institutional Division). Ms Downes was appointed a Director of Clean TeQ on 1 October 2018.
Other current directorships:	Chair of Bank Australia (public unlisted) Non-Executive Director ImpediMed Limited
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of the Audit and Finance Committee
Interests in shares:	357,290
Interests in options:	Nil
Interests in rights:	Nil

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Name:	Mr Ian Knight
Title:	Independent Non-Executive Director
Qualifications:	B.Bus; FCA
Experience and Expertise:	Mr Knight is a graduate in Business Studies and is also a fellow of the Institute of Chartered Accountants, an Associate Fellow of the Australian Institute of Managers & Leaders 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 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 Executive Chairman of Axsia Pty Limited. He was appointed a director of Clean TeQ on 8 July 2013.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of the Audit and Finance Committee Member of the Nomination, Remuneration and Governance Committee
Interests in shares:	1,646,840 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Eric Finlayson
Title:	Non-Executive Director
Qualifications:	BSc (Honours) in Applied Geology
Experience and Expertise:	Mr Finlayson is a geologist with over thirty years' experience in Australia and overseas. Over 24 years with Rio Tinto, Mr Finlayson held a number of key executive roles including regional exploration manager for Canada, Director of Exploration for the Australasian region and 5 years as Global Head of Exploration based in London. Mr Finlayson also served as CEO of Rio Tinto Coal Mozambique following Rio Tinto's takeover of Riversdale Mining in 2011. Mr Finlayson is currently President of High Power Exploration. He was appointed a director of Clean TeQ on 16 September 2015.
Other current directorships:	Cordoba Minerals Corp. Kaizen Discovery Inc. Sama Resources Inc. VRB Energy (private)
Former directorships (last 3 years):	Apollo Minerals Limited (resigned 7 July 2016)
Special responsibilities:	Member of the Nomination, Remuneration and Governance Committee
Interests in shares:	750,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Name:	Mr Michael Spreadborough
Title:	Independent Non-Executive Director
Qualifications:	BEng (Mining Engineering); MBA, AICD
Experience and Expertise:	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 Managing Director of Nusantara Resources Limited, 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. He was appointed a director of Clean TeQ on 8 December 2016.
Other current directorships:	Nil
Former directorships (last 3 years):	Nusantara Resources Limited (resigned 1 May 2019)
Special responsibilities:	Chair of the Sustainability and Risk Committee
Interests in shares:	Nil
Interests in options:	750,000 unlisted options exercisable at \$0.7700 (77.00 cents) per option
Interests in rights:	Nil

Name:	Mr Shawn Wang
Title:	Non-Executive Director
Qualifications:	Master of Finance from the University of Essex in the United Kingdom
Experience and Expertise:	Mr Wang is Head of Business Development and Investment at Pengxin International Mining Co. Ltd (Pengxin Mining). Mr Wang is responsible for all investment activities in Pengxin Mining, one of Clean TeQ's largest shareholders. Prior to his current role, Mr Wang held executive roles at Fosun Group Mining Division and Zhaojin Group and was the president and founder of Hillroc Capital, a natural resources fund within the Pengxin Mining group. Mr Wang has led or participated in a number of major mining investment projects and has extensive experience in cross-border mergers and acquisitions in the mineral resources industry. He was appointed a Director of Clean TeQ on 6 March 2019.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of the Sustainability and Risk Committee
Interests in shares:	Nil
Interests in options:	Nil
Interests in rights:	Nil

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.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

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 financial year ended 30 June 2019, and the number of meetings attended by each director were:

Director	Board		Audit and Finance Committee		Nomination, Remuneration & Governance Committee		Sustainability and Risk Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Total meetings	10		4		4		5	
R Friedland	10	8	-	-	-	-	-	-
Z Jiang	10	2	-	-	-	-	-	-
S Riggall	10	9	-	-	-	-	-	-
S Loader	10	10	4	4	4	4	5	5
L Bingham	7	1	-	-	-	-	3	-
J Downes	7	7	3	3	-	-	-	-
E Finlayson	10	10	-	-	4	4	-	-
I Knight	10	10	4	4	4	4	-	-
M Spreadborough	10	10	1	1	-	-	5	5
S Wang	3	3	-	-	-	-	1	-

■ Chair ■ Member

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

Attended: indicates the number of meetings attended by each director during the time the director held office or was a member of the relevant committee.

The Company values a Board with a diverse mix of skills and experience. Co-Chair, Jiang Zhaobai, is not a fluent English speaker, and the Company has taken a number of steps to ensure that Mr Jiang understands and can contribute to the business of the Board and can discharge his duties effectively. Specifically, papers are distributed well in advance of Board meetings to allow time for review and comment. Further, Mr Jiang attends Board meetings with his bilingual Executive Assistant who assists with translation and communication. To the extent that Mr Jiang, or any Director, is unable to attend meetings, the Co-Chair or the Lead Independent Director ensure that their views are represented to the Board.

PRINCIPAL ACTIVITIES

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

- The development of the Consolidated Entity's Clean TeQ Sunrise Nickel-Cobalt-Scandium Project in New South Wales and 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 ('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 other significant changes in the nature of the Consolidated Entity's activities during the financial year.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

REVIEW OF OPERATIONS

During the financial year ended 30 June 2019, the loss after tax for the Consolidated Entity amounted to \$18,013,000 (2018: loss after tax of \$16,012,000).

The Consolidated Entity's revenue and other income from continuing operations increased to \$4,697,000 (2018: \$4,209,000) due primarily to an increase in contract income from the Water Division.

The continuing development of the Sunrise Project resulted in \$54,339,000 of expenditure being capitalised as an exploration and evaluation asset during the financial year. This expenditure, along with the net cash outflows from operating activities of \$15,071,000, was financed largely by existing cash reserves.

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 Sunrise Project being at the pre-production development phase.

The Consolidated Entity's net assets decreased during the financial year by \$14,468,000 to \$237,476,000 (2018: \$252,156,000). Working capital, being current assets less current liabilities, amounts to a surplus of \$85,396,000 (2018: \$146,575,000), with cash and cash equivalents reducing from \$152,637,000 to \$78,871,000 during the financial year.

Metals Division

During the financial year, the Consolidated Entity continued to progress the development of the Clean TeQ Sunrise Nickel-Cobalt-Scandium Project. Pre-development activities continue to be focused on project engineering and design, as well as ongoing work toward securing financing and offtake agreements required prior to a final investment decision.

Following the release of the Definitive Feasibility Study ('DFS') in June 2018, the Consolidated Entity published on 7 August 2018 an update to the National Instrument 43-101 Technical Report for the Clean TeQ Sunrise Project ('Technical Report'). The Technical Report, prepared by SRK Consultants, supported the outcomes of the DFS which demonstrated the Project's strong technical and economic potential.

The Consolidated Entity successfully conducted a further test work program on Sunrise nickel/cobalt ore at the demonstration scale pilot plant in Perth. The objective of the test work was to gather additional operating and detailed design data prior to the project entering the engineering phase, and to provide the operational readiness team with a valuable opportunity to deepen their understanding of the flowsheet. Results from the test work program confirmed the very high metal extractions and recoveries of the proposed Sunrise processing plant. In some cases, performance results demonstrated during the testwork program surpassed the base case operating assumptions used in the DFS and the Technical Report.

On 30 August 2018, the Consolidated Entity announced that it had signed a Heads of Agreement ('HOA') with Metallurgical Corporation of China Ltd ('MCC') for an Engineer-Procure-Construct ('EPC') contract covering detailed engineering and construction of the Clean TeQ Sunrise processing plant. The MCC scope (processing plant) is approximately two-thirds of the total estimated capital development cost of the Project.

Following announcement of the HOA, the Consolidated Entity and MCC signed a Front-End Engineering and Design ('FEED') contract. Under the FEED contract, MCC and one of its subsidiaries, China ENFI Engineering Corporation ('ENFI'), will work with the Consolidated Entity's owners' team to manage project scope, critical design criteria and equipment and materials selection during the FEED phase, prior to commencement of the EPC phase.

The FEED contract defines a prescribed scope of work and deliverables for the FEED phase which will be provided to the Consolidated Entity by MCC based on an agreed schedule of rates. A key deliverable from MCC from the current FEED phase is an update of the fixed EPC contract price for the construction of the Sunrise Project process plant, which is required for the Consolidated Entity to approve a Final Investment Decision ('FID') to proceed with the construction of the Project.

Overall, FEED progress was running at approximately 43% complete, as at the end of the financial year ending 30 June 2019, with additional resources (from both the Clean TeQ and MCC organisations) being deployed with a view to maintaining the scheduled completion of FEED by the end of the September 2019 quarter.

During the June quarter, following a formal tender process, Clean TeQ confirmed the engagement of Fluor Australia Pty Ltd as Sunrise Project Management Contractor (PMC). The PMC is a key project delivery partner, who will work with the Clean TeQ owner's team

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

through the FEED phase and into the project construction and commissioning phases, including overseeing the execution of associated non-MCC/EPC infrastructure and facilities.

Key early works completed during the financial year included the surveying of the water pipeline route. The water pipeline will be constructed within the road reserve from the Clean TeQ Sunrise borefield, located near Bedgerabong, to the project site which is adjacent to Fifield. Engineering of the water pipeline is also underway. Completion of engineering will allow the detailed pipeline route to be finalised and necessary access approvals obtained from local government authorities.

Other early works completed during the financial year included renovations to the Parkes office, with project staff moving into the office in April 2019, and Sunrise early site preparation works have begun (security fencing, vegetation management and telecommunications).

On 20 December 2018, the Consolidated Entity announced that approval had been granted for all of the modifications (Modification 4) to the Development Application for the Project by the New South Wales Independent Planning Commission ('IPC').

Modification 4 allows the Consolidated Entity to implement a number of important improvements designed to optimise and further de-risk the Clean TeQ Sunrise operation which were detailed in the June 2018 Definitive Feasibility Study. The key features of Modification 4 include amendments to the processing plant design and layout, mine plan and general logistics, diversification of water supply via approval to access surface water from the Lachlan River as well as consent to produce up to 100,000 tonnes per annum of ammonium sulphate for sale as a by-product.

The approval followed a period of extensive consultation with local residents and communities across the Shires of Parkes, Lachlan and Forbes, as well as working through a formal process with the IPC. It also concludes the final outstanding modification under application, with Modification 6 having been approved in May 2018.

During the financial year, the Consolidated Entity continued to engage with a range of investors and offtake partners regarding potential project financing and offtake agreements.

Following numerous inbound enquiries from a range of parties in the electric vehicle supply chain in relation to both project level ownership, long-term offtake and other financing arrangements for the Sunrise Project, the Company announced in June 2019 that it had appointed Macquarie Capital to run a partnering process for Clean TeQ to consider divesting an interest of up to 50% of the Project, in combination with long-term offtake. This financing process is well underway, with Clean TeQ intending to conclude the partnering process in the second half of the 2019 calendar year to align with a final investment decision planned by the end of 2019, with construction targeted to commence shortly thereafter.

In addition to these discussions, the four mandated lead arranger ('MLA') banks – Societe Generale, National Australia Bank, Natixis and Industrial and Commercial Bank of China ('ICBC') – continued to work towards arranging and syndicating a finance facility including debt finance, working capital and other credit facilities. The debt financing will be contingent upon completion of a successful due diligence process, agreement of terms and conditions, credit approval and syndication.

Water Division

The Clean TeQ Water Division continues to progress activities focused on the development and commercialisation of the Consolidated suite of proprietary water purification processes with a focus on the Continuous Ionic Filtration technology ('CIF®').

The Consolidated Entity, via its wholly owned subsidiary Clean TeQ Water Pty Ltd, continued works to execute a significant contract with Multotec Process Equipment Pty Ltd ('Multotec') to design, procure and commission a Clean TeQ CIF® wastewater treatment solution at a minerals processing plant in Oman ('Oman Contract'). The Oman Contract was valued in excess of US\$400,000 and included a technology fee and payments for engineering, equipment and resin supply and commissioning support. The CIF® waste water treatment plant treats waste water from a flue gas desulphurisation scrubber at a minerals processing plant at Port of Sohar Free Zone, Sultanate of Oman.

By the end of the financial year, engineering, delivery and construction of the Clean TeQ waste water treatment plant had been completed. The final commissioning phase will commence towards the end of the 2019 calendar year when the customer begins delivering waste water to the CIF® plant for treatment.

At the Fosterville Gold Mine in Victoria, Clean TeQ was engaged to design, supply and commission a 2 million litre-per-day Clean TeQ DeSALx® mine water treatment plant. The plant is designed to deliver a sustainable water management solution by treating mine process water for reuse in the mine operations. Construction of the plant was completed in the first quarter of calendar year 2019.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

with commencement of commissioning taking place during the second quarter. The commissioning process has been progressing and performance testing (required for successful completion and formal handover of the plant) is scheduled for the third and fourth quarters of calendar year 2019.

In the Democratic Republic of Congo, the Consolidated Entity delivered a \$2,000,000 contract to design, supply and commission a metals processing plant using the Consolidated Entity's proprietary Continuous Resin-In-Column (cLX) technology to treat up to 20 million litres-per-day of a raffinate stream, removing contaminant metals and improving the quality and environmental rank of the raffinate, prior to further processing. As with the Oman contract, the project is being delivered to Multotec. All construction was completed during the first quarter of calendar year 2019 with hot commissioning commencing shortly thereafter. Initial tests showed that the cLX plant was performing well, exceeding design expectations. However, an accidental uncontrolled release by the mine owner/operator of very high-pressure water from the main plant into the cLX system resulted in some damage being caused to the Clean TeQ plant, taking it offline. As well as the damage caused by the mine owner/operator, significant corrosion was also identified in some of the ancillary plant which was provided by a third party equipment supplier. The damage is currently being repaired and some additional modifications are being installed upstream of the cLX plant to prevent a similar event occurring again. Expectations are for a restart of the plant over the coming months, with performance testing of the cLX system in the December 2019 quarter.

These three Clean TeQ systems are the first of their type anywhere in the world and have been deployed to treat three different technical solutions. The successful delivery and commissioning of these three plants is expected to demonstrate the efficacy of the Consolidated Entity's suite of proprietary technologies and their versatility for metal extraction and waste water treatment. As commercial scale plants, the facilities provide a valuable platform from which to rapidly grow Clean TeQ Water.

The Consolidated Entity expanded its water technology platform during the financial year with the acquisition of an encapsulated bacteria technology from LentiKats, comprising technology licences and a production plant for the manufacture of encapsulated bacteria 'CleanBio lenses'. The LentiKats technology is focused on encapsulated bacteria, which is useful in water treatment applications given the bacteria's ability to break down and remove over ninety percent of harmful nitrates and ammonia from waste water. The Consolidated Entity has established a production facility for CleanBio lenses in China for application in its growing pipeline of global projects.

During the June quarter Clean TeQ successfully completed a hardness removal demonstration project in Inner Mongolia for Jiutai New Material ('Jiutai'). The aim of the project was to confirm, at demonstration scale, the cost effectiveness of Clean TeQ's continuous ion exchange process to remove hardness from high saline brines to increase the recovery rates of subsequent membrane systems and thus improve water recoveries for recycling and reduce the volume of polluting waste brine. During the demonstration project Clean TeQ's mobile demonstration unit treated reverse osmosis (RO) filtration brine continuously for two weeks, consistently removing hardness (Calcium and Magnesium) down to zero to allow the subsequent second step RO to significantly increase water recovery.

The demonstration program treated wastewater from a large coal-to-chemical refinery, producing DME (Dimethyl Ether) owned by Jiutai located about 100 km from Hohhot, China. The process requires large volumes of industrial grade water, putting a strain on sources of water supply in this water scarce region. The demonstration program confirmed that increasing water recovery by adopting Clean TeQ's CIF® system could substantially reduce the plant's net water use.

Successful completion of this campaign provides valuable demonstration of yet another application for the Clean TeQ water technology in addition to the commercial scale plants currently nearing completion in Australia, Oman and DRC. Over the coming months, the Company plans to expand this marketing and technology demonstration campaign by deploying the mobile CIF® unit to other facilities in China which have similar issues as Jiutai with a view to generating additional sales.

The Consolidated Entity also continued to develop its capability and knowledge during the period within the application of graphene oxide.

The Consolidated Entity announced on 24 September 2018 its intention to create a joint venture company to pursue the development of graphene oxide membranes for water treatment applications. The Consolidated Entity owns 75% of this company, with Ionic Industries ('Ionic') owning the remaining 25%.

The Consolidated Entity has been working in the joint venture with Ionic and Monash University to develop, manufacture and apply graphene oxide membranes for water filtration applications. While graphene and graphene oxide are the world's thinnest, strongest and most conductive materials yet discovered, with huge potential for industrial water filtration applications, difficulty in manufacturing processes and high production costs have to date severely limited their commercialisation. The Consolidated Entity and Ionic have

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

successfully developed a process to manufacture high purity graphene oxide that can be applied to a membrane support to create a highly efficient graphene nanofiltration membrane ('GO-Membrane'). Significantly, the GO-Membrane manufacturing process has been demonstrated on commercial scale industrial equipment.

This joint venture company known as NematiQ Pty Ltd ('NematiQ') was established during the financial year. NematiQ operates from premises adjacent to the Consolidated Entity's existing facility in Notting Hill, Victoria. From this facility, NematiQ is focused on optimising its proprietary process for refining graphite oxide raw material into graphene oxide, which is used to form the filtration layer of the GeO-Membrane. A plant for the manufacture of high purity graphene oxide has been designed and installed at NematiQ's premises, with graphene oxide produced by the facility to be used for larger scale manufacture of graphene oxide membranes.

The ultimate goals of the NematiQ work programs are to:

1. Confirm the technical process and cost effectiveness of ion exchange for refining of the raw material graphite oxide into high purity GeO. This process has been successfully completed;
2. Demonstrate the GO layering process at commercial scale using a specialised process developed and patented by Monash University and licensed to NematiQ. Activities currently underway; and,
3. Refine the printing process to demonstrate the ability to produce GeO membranes at commercial scale with the appropriate physical properties, flow rates and filtering capability.

In water purification applications, graphene oxide membranes have the potential to offer distinct operational advantages over the current polymer nanofiltration membranes providing a significant commercial opportunity should the technology prove successful. Clean TeQ will continue working towards securing commercial contracts and anticipates both the Water and Metals Divisions to produce substantial revenues in the future.

In February 2019, the Consolidated Entity settled the creditor dispute which was provided for in the financial statements at 30 June 2018 and 31 December 2018. The settlement amount was materially consistent with the amount provided.

Significant changes in the state of affairs

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

On 16 July 2019, the Consolidated Entity received the amount of \$14,574,000 from the Australian Taxation Office ('ATO') as a R&D tax incentive for eligible R&D expenditure incurred by the Consolidated Entity for the financial year ended 30 June 2018. This amount was booked as a receivable in the financial statements of the Consolidated Entity as at 30 June 2019.

On 26 July 2019, the Consolidated Entity announced that it and Hoyo have mutually agreed to terminate the joint venture agreement, dissolve the joint venture company and repatriate the equity contributions (the Consolidated Entity's share is approximately US\$600,000) made into the joint venture entity to date.

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.

Likely developments and expected results of operations

The Consolidated Entity will continue to pursue its objectives of advancing the development of the Sunrise Project as well as its suite of technology applications for the treatment of water in the water, municipal, industrial and resources 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 debt finance, equity partnerships, capital raisings as well as operational revenues from contracts entered into, and through securing additional contracts throughout the year.

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.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Environmental regulation

The Consolidated Entity has an interest in the mineral licences disclosed in note 17. 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 mineral 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.

Dividends

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

Corporate Governance Statement

The Company's 2019 Corporate Governance Statement was released to the ASX on 22 August 2019 and is available at www.cleanteq.com.

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*.

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.

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 34 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 34 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.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

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. The Board believes this prior relationship with KPMG does not interfere with Ian Knight's exercise of objective, unfettered or independent judgement, or his ability to act in the best interests of the Consolidated Entity. The Board has determined, consistent with its policy on the independence of Directors, that Ian Knight is independent.

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 54 and forms part of the directors' report for the financial year ended 30 June 2019.

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
Managing Director
22 August 2019
Melbourne

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

REMUNERATION REPORT (AUDITED)

The directors of Clean TeQ Holdings Limited ('Clean TeQ' or 'Company') present this Remuneration Report, which has been audited, for the financial year ending 30 June 2019 ('financial year 2019').

The Remuneration Report provides information about the remuneration of Clean TeQ's key management personnel ('KMP'), being those executives with authority and responsibility for planning, directing, and controlling the activities of the Consolidated Entity, and its non-executive directors. The Remuneration Report has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and contains the following sections:

Section 1 Remuneration at Clean TeQ	This section of the Remuneration Report provides an overview of Clean TeQ's remuneration principles and structure of remuneration for KMP.
Section 2 Performance and Executive Remuneration Outcomes	This section details the remuneration outcomes for Clean TeQ's KMP in the financial year ending 30 June 2019. It also demonstrates how the components of remuneration at Clean TeQ are aligned with value-creation by being linked to the Company's performance.
Section 3 Non-Executive Director Remuneration	This section outlines the remuneration structure and fees paid to Clean TeQ's non-executive directors in the financial year ending 30 June 2019.
Section 4 Statutory Remuneration Disclosures	This section includes statutorily required remuneration disclosures for the financial year ending 30 June 2019, including details of equity awards and KMP and non-executive director interests in equity instruments of Clean TeQ.

Non-executive directors for the purposes of this report are as follows:

- Robert Friedland (Co-Chairman and Non-Executive Director)
- Jiang Zhaobai (Co-Chairman and Non-Executive Director)
- Stefanie Loader (Lead Independent Non-Executive Director)
- Li Binghan (Non-Executive Director - retired 6 March 2019)
- Judith Downes (Independent Non-Executive Director - appointed 27 September 2018)
- Eric Finlayson (Non-Executive Director)
- Ian Knight (Independent Non-Executive Director)
- Michael Spreadborough (Independent Non-Executive Director)
- Shawn Wang (Non-Executive Director - appointed 6 March 2019)

KMP as identified for the purposes of this report by the criteria set out above are as follows:

- Sam Riggall - Managing Director and Chief Executive Officer
- Ben Stockdale - Chief Financial Officer
- Tim Kindred - Sunrise Project and Start-Up Director

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

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

SECTION 1: REMUNERATION AT CLEAN TEQ

The Board of directors is responsible for approving the compensation arrangements for the directors and KMP following recommendations received from the Nomination, Remuneration and Governance Committee. The Board, in conjunction with the Nomination, Remuneration and Governance Committee, regularly 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.

Compensation levels are set to attract and retain appropriately qualified and experienced directors and executives. As and when required the Nomination, Remuneration and Governance 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 expert remuneration benchmarking advice was provided by Mercer Consulting (Australia) Pty Ltd ('Mercer') at a cost of \$32,000 during the 2017 financial year in relation to the absolute levels and the structure of non-executive director and KMP remuneration. To ensure the recommendations were not subject to undue influence from any KMP to whom the recommendations applied, Mercer reported directly to the Chair of the Nomination and Remuneration Committee¹, who oversaw the engagement. The Board is satisfied that the measures were effective, and that the recommendations were not subject to undue influence from any KMP to whom the recommendations applied. The recommendations were implemented during 2018 financial year.

Since the adoption of the Mercer recommendations, non-executive director remuneration consists of fixed directors' fees only. The KMP compensation structures explained below are designed to reward the achievement of strategic objectives, align performance with shareholder interests and create the broader outcome of creating value for shareholders.

The compensation structures take into account:

- the capability and experience of the KMP;
- KMPs' ability to control the relevant segment's performance;
- the Consolidated Entity's performance including:
 - (i) the Company's market capitalisation;
 - (ii) the Consolidated Entity's earnings; and,
 - (iii) the growth in share price and delivering shareholder returns.

KMP 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 salaries, the Consolidated Entity may also provide non-cash benefits to its directors and key management personnel and contributes to post-employment superannuation plans on their behalf.

Fixed remuneration

Total Fixed Remuneration ('TFR') consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits), as well as leave entitlements and employer contributions to superannuation funds.

Compensation levels are reviewed at least annually by the Nomination, Remuneration and Governance Committee through a process that considers individual, segment and overall performance of the Consolidated Entity.

1. Since renamed the Nomination, Remuneration and Governance Committee.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Performance-linked remuneration

Clean TeQ's approach to remuneration is to ensure that remuneration received by KMP is closely linked to the Consolidated Entity's performance and the returns generated for shareholders. Performance-linked compensation, as outlined in the Consolidated Entity's Employee Incentive Plan ('EIP'), includes both short-term and long-term incentives, and is designed to incentivise and reward employees for meeting or exceeding Company-wide and individual objectives. The short-term incentive ('STI') is an "at risk" bonus provided in the form of cash and/or shares, while the long-term incentive ('LTI') is provided as options and performance rights over ordinary shares of the Company. The STI and LTI plans provide for the Board to be able to exercise discretion on the award of cash bonuses, options and performance rights.

Within the established remuneration framework, each employee is assigned a level which reflects the seniority and responsibility associated with their role. This level determines an employees' participation in the STI and LTI, and therefore, the proportion of their total remuneration which is linked to performance. Senior executives of the Company have a higher proportion of their total potential remuneration 'at risk'. The applicable annual EIP metrics are detailed below.

Percentage of TFR	Level 1 (CEO)	Level 2	Level 3	Level 4	Level 5
STI - bonus	30%	25%	20%	15%	10%
LTI - performance rights	60%	40%	20%	15%	10%

Total Remuneration Breakdown	Level 1 (CEO)	Level 2	Level 3	Level 4	Level 5
TFR	52%	61%	72%	76%	84%
STI - bonus	16%	15%	14%	12%	8%
LTI - performance rights	32%	24%	14%	12%	8%
Total at risk	48%	39%	28%	24%	16%

The Board considers that the performance-linked compensation structure outlined in the EIP will generate the desired outcome in respect of attracting and retaining high calibre employees and aligning employee performance with shareholder interests. Refer to Section 2 of this Remuneration Report for an analysis of the Consolidated Entity's performance in the financial year ending 30 June 2019 and link to overall remuneration.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Short Term Incentive

The STI has been adopted to link employee remuneration to key business outcomes which drive value creation in the short to medium term. Each year, all employees have individual key performance indicators ('KPI's') agreed with their manager. The Board approves the individual KPI's for the CEO based on the recommendation of the Nomination, Remuneration and Governance Committee. The CEO approves the individual KPI's for the KMP with endorsement from the Nomination, Remuneration and Governance Committee. The individual performance objectives are designed to focus employees on goals and objectives specific to their roles and typically include financial performance compared to budgeted amounts as well as non-financial metrics which vary with position and responsibility and include measures such as completion of specific tasks and projects as well as health, safety and environment outcomes and staff development.

KPI's for the Consolidated Entity are also set each year by the Board. KPI's for the Consolidated Entity are designed to focus employees on the key goals and objectives of the business as a whole and include metrics relating to health and safety performance, the financing and development of the Sunrise Project, the growth and financial performance of the Water Business and gender diversity in employment.

At the end of the financial year, each employee's performance is assessed against their individual KPI's and a score is assigned. The Board approves the KPI assessments for the CEO based on the recommendation of the Nomination, Remuneration and Governance Committee. The Nomination, Remuneration and Governance Committee approves the assessments of the individual KPI's for the KMP based on the recommendation of the CEO.

The Board assesses the performance of the Consolidated Entity against the Consolidated Entity KPI's and a score is assigned. An employees' overall KPI score will be a combination of their individual KPI score and the Consolidated Entity KPI score, with higher level employees having a higher weighting of the Company KPI score vs the individual KPI score. The weighting applicable for each employee level is tabled below. The KPI score determines the STI outcome for each employee, subject ultimately to Board approval of the overall amount of the STI cash bonus pool to be awarded each year, if any.

STI Weighting	Level 1 (CEO)	Level 2	Level 3	Level 4	Level 5
Company KPI's	70%	50%	25%	0%	0%
Individual KPI's	30%	50%	75%	100%	100%

There are also a number of defined disqualifying events which, if triggered, result in no STI being awarded for a financial year. These disqualifying events comprise a small number of severely adverse health, safety, environment and community related occurrences.

Long Term Incentive

The LTI has been adopted to align employees' interests directly with shareholders by linking employee remuneration to the Company's share price performance over the medium to longer term. The LTI comprises grants of performance rights to all employees, and options to certain senior executives, pursuant to the Company's Employee Incentive Plan Rules which were approved by shareholders on 19 July 2017.

Performance rights are granted at the discretion of the Board to employees by way of issue at nil cost both at the time of grant and vesting. Performance rights are granted on a semi-annual basis, with the at-risk value of the annual grant over the vesting period, typically three years, representing a percentage of the employee's TFR (as tabled on page 35 above), and priced based on the Company's share price at the time of grant. Vesting is contingent on the Company meeting or exceeding performance hurdles over the performance period. The performance hurdles involve an assessment of the Company's total shareholder returns in absolute terms and relative to Comparator Peer Group of companies. The Comparator Peer Group, which includes companies from ASX300 Metals and Mining index is selected on the basis that it presents the best fit for Clean TeQ over the coming years and is an established and 'live' index. The Comparator Peer Group is reviewed for each tranche of performance rights to ensure the group maintains ongoing relevance.

The EIP also provides for certain key executives to receive, for no consideration, options over ordinary shares of the Company at specified exercise prices as determined by the Board. The grant of options is intended to align the interests of senior executives with other owners of the Company over the medium to longer term and to increase those senior executives' proportion of 'at risk' remuneration. The ability to exercise the options is conditional upon each key executive's ongoing employment by the Company and other applicable vesting hurdles determined by the Board from time to time.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

SECTION 2: PERFORMANCE AND EXECUTIVE REMUNERATION OUTCOMES

During the current financial year the Consolidated Entity made good progress towards achieving a number of its operational targets, however, a number of those operational targets were not achieved and financial results remained loss-making due to the fact that the Consolidated Entity's technologies remain at the early stages of commercialisation and as a result of the Sunrise Project being at the pre-production development phase.

STI Performance and Outcomes

The Consolidated Entity's KPI's for FY19 are tabled below, along with the annual performance assessment undertaken by the Nomination, Remuneration and Governance Committee. The Consolidated Entity KPI targets are intentionally challenging, and stretch targets are defined to deliver enhanced remuneration outcomes up to 125% grading for outstanding performance. As such, STI bonus payments are capped at an absolute maximum of 125% of TFR. While the precise terms of those objectives and progress made is in some cases commercially sensitive, a summary of the 2019 key strategic objectives and progress made against those objectives is set out below.

Measure	KPI	Weight	Result	Score
Health and Safety	TRIFR ¹ < 15 (Stretch Target: TRIFR < 10)	20%	100%	20%
Sunrise Project	Progress the financing and development of the Sunrise Project to support a final investment decision and commencement of construction on schedule (Stretch Target: achieve KPI ahead of schedule)	40%	0%	0%
Water Business	Three commissioned and operating water plants Achieve gross margin targets on sales Achieve new sales targets (Stretch Target: exceed KPI's by defined percentages)	20%	0%	0%
Diversity	By year end achieve 30% female participation in levels 3 to 5 workforce (Stretch Target: 34% participation)	20%	125%	25%
Total				45%

Disclosure of disqualifying events is tabled below.

Measure	Event	Occurrence
Health and Safety	Employee workplace fatality or total or permanent disability injury	No
Environment	Material environmental breach	No
Community	Event resulting in material community or reputational damage	No

The following provides details on the factors which were considered by the Board in relation to the Consolidated Entity's performance against its KPI's in the financial year ending 30 June 2019, as well as the rationale for inclusion of the particular metric.

¹ Total Reportable Injury Frequency Ratio.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Health and Safety (20% weighting)

Clean TeQ is committed to providing a safe workplace for all employees and considers Total Reportable Injury Frequency Ratio ('TRIFR'), is the most appropriate metric for measuring workplace safety performance. TRIFR is defined as the number of work-related fatalities, lost time injuries, substitute work, and other injuries requiring treatment by a medical professional ('reportable injuries') per million hours worked in the reporting period.

During the reporting period there were two reportable injuries out of a total of 163,949 work hours, resulting in a TRIFR rate of 12.2, which achieved the Consolidated Entity KPI, but failed to meet the stretch target of less than 10. The reportable injuries comprised one lost time illness and one medically treated injury. Both reportable injuries were minor in nature and the employees have made a full recovery.

Financing and development of the Sunrise Project (40% weighting)

The Board considers that the financing and development of the Sunrise Project will create significant long term value for shareholders. Accordingly, this objective remains the key focus of the Board and senior executives and this metric is allocated the highest weighting in the KPI's for the Consolidated Entity.

During the financial year, strong progress was made in progressing the financing and development of the Sunrise Project:

- Good progress was made in progressing a debt finance facility with four mandated lead arranger banks.
- Work continues in respect of securing a partner and offtake arrangements for the equity financing of the Project, including the appointment of Macquarie Capital to run a formal partnering process.
- Selection and appointment of Metallurgical Corporation of China Ltd as EPC contractor.
- Good progress was made towards completion of front end engineering and design as well as commencement of engineering for some early works.
- Voluntary Planning Agreement signed with Shire Councils of Lachlan, Forbes and Parkes.

Notwithstanding the strong progress made in progressing the financing and development of the Sunrise Project, during the financial year the development was subject to a number of delays which meant that the target of achieving a final investment decision and commencement of construction was not achieved. Accordingly, the KPI is assessed as zero for the financial year.

Water Business (20% weighting)

The Board considers that the ongoing development and growth of the Water Business has the potential to create significant long term value for shareholders. Accordingly, this objective remains a strong focus of the Board and senior executives and this metric is allocated a material weighting in the KPI's for the Consolidated Entity.

During the financial year, the Water Business made excellent progress towards completion, commissioning and handover of three commercial scale water purification plants in Oman, Australia and Democratic Republic of Congo. By year end, all three projects had completed the design, engineering, procurement, delivery and construction phases and were at various stages of commissioning. Notwithstanding the excellent progress made in delivering these projects, for a range of reasons outside of Clean TeQ's control, none of them had been fully handed over prior to the end of the financial year ended 30 June 2019. Accordingly, the KPI is assessed as zero for the financial year.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Diversity (20% weighting)

The Board believes that diversity in the workforce, including diversity in age, gender, race, education, skills and employment experience, leads to enhanced outcomes for shareholder and employees alike. The Consolidated Entity is initially focused on promoting gender diversity within the workforce. At the end of the financial year, the Consolidated Entity achieved 34.04% female workforce participation among levels 3, 4 and 5 employees, which comprise the vast majority of the workforce. This level of female participation exceeded the stretch target for the Consolidated Entity KPI.

Disqualifying Events

Providing a safe workplace for all employees and ensuring that the impact of the Consolidated Entity's activities on the environment and local community stakeholders is managed appropriately is integral to Clean TeQ's corporate objectives and values.

No disqualifying events occurred during the financial year.

STI Outcome for the Consolidated Entity

In considering the Consolidated Entity's performance, the Board also has due regard to profit or loss after tax in the current and previous financial years, along with the market capitalisation and movement in the share price.

The earnings of the Consolidated Entity for the five years to 30 June 2019 are summarised below:

	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000
Loss after income tax	(8,225)	(6,423)	(12,184)	(16,012)	(18,013)

The factors that affect total shareholder returns are summarised below:

	2015	2016	2017	2018	2019
Share price at financial year end (\$)	0.23	0.43	0.67	0.81	0.38
Movement in share price (\$)	0.18	0.20	0.24	0.14	(0.43)
Dividends paid (\$)	-	-	-	-	-
Market Capitalisation Undiluted (\$M)	78	200	381	598	284

Dividends and changes in share price are included in the total shareholder return calculation, which is the key performance criteria assessed for the long-term incentives.

In light of the overall performance of the Consolidated Entity, and with a view to ensuring that employees remain appropriately motivated and fairly rewarded for individual efforts, the Board approved the award of STI cash bonus for levels 3, 4 and 5 employees only, up to a total of \$335,000 for the 2019 financial year, which represents 16.8% of the total theoretical total maximum STI of \$1,996,000. This expense has been accrued in the financial statements. No STI was awarded to Level 1 (CEO) or Level 2 (Exco) employees for the 2019 financial year.

KMP Individual STI Outcomes for 2019

Sam Riggall – Managing Director and Chief Executive Officer

Mr Riggall's performance against his individual objectives is summarised below:

Category	KPI
Team	Build and lead a cohesive and high-performing executive team, focused on taking Sunrise through development and construction
Markets	Manage investor relations and communications to effectively promote the company

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

The Board, based on the recommendation of the Nomination, Remuneration and Governance Committee, assessed Mr Riggall's performance against his individual objectives as 90% of target, resulting in the STI outcome tabled below.

STI	Weighting	Result	Weighted Result
Consolidated Entity KPI's	70%	45%	31.5%
Individual KPI's	30%	90%	27.0%
Total			58.5%
STI outcome as a percentage of TFR			17.6%
STI award as a percentage of maximum STI			0.0%

The STI outcome for 2019 would ordinarily entitle Mr Riggall to receive a cash bonus, however, with a view to maximising the cash reserves of the Consolidated Entity, Mr Riggall volunteered to forfeit his STI bonus relating to the 2019 financial year. As such, the actual amount of the STI awarded is 0% of the theoretical maximum, with 100% forfeited.

Mr Riggall's base salary is not proposed to be adjusted in 2020.

During the financial year Mr Riggall was paid a \$62,100 cash bonus relating to the 2018 financial year pursuant to the Consolidated Entity's STI Plan. During the financial year Mr Riggall was also issued 78,192 shares (following shareholder approval at the annual general meeting on 22 November 2018) in lieu of a further \$62,100 cash bonus payable to Mr Riggall relating to the 2018 financial year. The Board determined the number of shares to be issued to Mr Riggall be based on the Company's thirty-day volume weighted average price up to and including 31 July 2018.

During the financial year Mr Riggall was issued 480,000 shares valued at \$380,511 (based on the five-day volume weighted average price of the Company's shares up to and including the 3 July 2018 grant date) upon the vesting of performance rights relating to the 2018 financial year.

During the financial year Mr Riggall was granted 142,341 Performance Rights which vest on 1 July 2021 subject to defined performance criteria. The Board also agreed to grant to Mr Riggall, subject to shareholder approval at a meeting yet to be convened, 348,742 Performance Rights which vest on 1 January 2022 subject to defined performance criteria (see below for further details of the performance criteria).

Ben Stockdale – Chief Financial Officer

Mr Stockdale's performance against his individual objectives is summarised below:

Category	KPI
Finance	Manage the group finance function including financial reporting, tax, insurance, compliance, administration and IT within budget parameters
Funding	Formulate and implement funding strategy including debt finance facility for Sunrise
Risk Management	Oversee group risk management framework
Commercial	Oversee group commercial and marketing functions
Investor Relations	Enhance communication with markets and investors

The Nomination, Remuneration and Governance Committee, based on the recommendation of the CEO, assessed Mr Stockdale's performance against his individual objectives as 90% of target, resulting in the STI outcome tabled below.

STI	Weighting	Result	Weighted Result
Consolidated Entity KPI's	50%	45%	22.5%
Individual KPI's	50%	90%	45.0%
Total			67.5%
STI outcome as a percentage of TFR			16.9%
STI award as a percentage of maximum STI			0.0%

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

The STI outcome for 2019 would ordinarily entitle Mr Stockdale to receive a cash bonus, however, with a view to maximising the cash reserves of the Consolidated Entity, Mr Stockdale volunteered to forfeit his STI bonus relating to the 2019 financial year. As such, the actual amount of the STI awarded is 0% of the theoretical maximum, with 100% forfeited.

Mr Stockdale's base salary is not proposed to be adjusted in 2020.

During the financial year Mr Stockdale was paid a \$54,203 cash bonus relating to the 2018 financial year pursuant to the Consolidated Entity's STI Plan. During the financial year Mr Stockdale was also issued 68,248 shares in lieu of a further \$54,203 cash bonus payable to Mr Stockdale relating to the 2018 financial year. The Board determined the number of shares to be issued to Mr Stockdale be based on the Company's thirty-day volume weighted average price up to and including 31 July 2018.

During the financial year Mr Stockdale was issued 400,000 shares valued at \$317,093 (based on the five-day volume weighted average price of the Company's shares up to and including the 3 July 2018 grant date) upon the vesting of performance rights relating to the 2018 financial year.

During the financial year Mr Stockdale was granted 81,320 Performance Rights which vest on 1 July 2021 subject to defined performance criteria and 199,238 Performance Rights which vest on 1 January 2022 subject to defined performance criteria (see below for further details of the performance criteria).

Tim Kindred – Sunrise Project and Start-Up Director

Mr Kindred's performance against his individual objectives is summarised below:

Category	KPI
Sunrise	- Establish a high-performing team of employees and contractors to take Sunrise through development and construction
	- Progress front end engineering and design and other EPC and project works in line with defined targets
	- Enhance processes for managing and reporting of schedule, scope and costs
	- Develop enhanced project HSEC framework

The Nomination, Remuneration and Governance Committee, based on the recommendation of the CEO, assessed Mr Kindred's performance against his individual objectives as 70% of target, resulting in the STI outcome tabled below. Mr Kindred's individual KPI score was negatively impacted by a number of schedule and milestone driven targets that were not met, mostly as a result of decisions on financing and cash management that were not ultimately within his control.

STI	Weighting	Result	Weighted Result
Consolidated Entity KPI's	50%	45%	22.5%
Individual KPI's	50%	70%	35.0%
Total			57.5%
STI outcome as a percentage of TFR			14.4%
STI award as a percentage of maximum STI			0.0%

The STI outcome for 2019 would ordinarily entitle Mr Kindred to receive a cash bonus, however, with a view to maximising the cash reserves of the Consolidated Entity, Mr Kindred volunteered to forfeit his STI bonus relating to the 2019 financial year. As such, the actual amount of the STI awarded is 0% of the theoretical maximum, with 100% forfeited.

Mr Kindred's base salary is not proposed to be adjusted in 2020.

During the financial year Mr Kindred was paid a \$19,650 cash bonus relating to the 2018 financial year pursuant to the Consolidated Entity's STI Plan. During the financial year Mr Kindred was also issued 24,742 shares in lieu of a further \$19,650 cash bonus payable to Mr Kindred relating to the 2018 financial year. The Board determined the number of shares to be issued to Mr Kindred be based on the Company's thirty-day volume weighted average price up to and including 31 July 2018.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

During the financial year Mr Kindred was granted 92,073 Performance Rights which vest on 1 July 2021 subject to defined performance criteria and 225,582 Performance Rights which vest on 1 January 2022 subject to defined performance criteria (see below for further details of the performance criteria).

During the financial year Mr Kindred was granted 1,000,000 options over ordinary shares in connection with the commencement of his employment. The options have a strike price of \$1.88 per share and expire on 19 February 2021. The options vest on 19 February 2019 (500,000) and 19 February 2020 (500,000).

Performance Criteria for Performance Rights Granted in 2019

The performance criteria for the performance rights granted to KMP during the financial year are detailed below:

Performance Criteria 1: 50% Performance Rights vesting conditional on Clean TeQ's absolute total shareholder return ('TSR') performance.

Absolute TSR	Performance Rights vesting
12.5% pa compounding annually or greater	100%
7.5% pa compounding annually	50%^
Less than 7.5% pa compounding	0%

^ Straight line pro-rata vesting between 7.5% and 12.5%.

Performance Criteria 2: 50% vesting conditional on Clean TeQ's TSR performance compared to the Comparator Peer Group

Comparative TSR	Performance Rights vesting
At or above 75th Percentile	100%
At median	50%^^
Below median	0%

^^ Straight line pro-rata vesting between the median and 75th percentile performance.

The Comparator Peer Group for Performance Rights granted during the financial year ending 30 June 2019, which includes companies from ASX300 Metals and Mining index, is listed below. This group is selected on the basis that it presents the best fit for Clean TeQ over the coming years and is an established and 'live' index. The comparator Peer Group will be reviewed for each tranche of LTI grant to ensure the group is tested for relevance and to determine the applicable price. The Board reserves the right to amend the Comparator Peer Group as appropriate.

Independence Group NL (ASX: IGO)	Sandfire Resources (ASX: SFR)
Mineral Resources Limited (ASX: MIN)	Iluka Resources (ASX: ILU)
Galaxy Resources Limited (ASX: GXY)	Global Geoscience (ASX: GSC)
Orocobre Limited (ASX: ORE)	New Century Resource (ASX: NCZ)
Syrah Resources Limited (ASX: SYR)	OZ Minerals (ASX: OZL)
Western Areas Ltd (ASX: WSA)	Lynas Corporation Limited (ASX: LYC)
Pilbara Minerals Limited (ASX: PLS)	Kidman Resources Limited (ASX: KDR)
Metals X Limited (ASX: MLX)	Altura Mining Limited (ASX: AJM)
Magnis Resources Limited (ASX: MNS)	

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

LTI Performance and Outcomes

At the end of the financial year, the 2016 grant of LTI Performance Rights completed their performance period (June 2016 to June 2019). The vesting of this tranche of Performance Rights was conditional on Clean TeQ's TSR performance compared to a comparator peer group of companies determined at the time of grant in 2016 based on the following:

Comparative TSR	Performance Rights vesting
At or above 75th Percentile	100%
At median	50% ^{^^}
Below median	0%

^{^^} Straight line pro-rata conversion between the median and 75th percentile performance.

Compared to the applicable comparator peer group, Clean TeQ's TSR was below the median, and as such, none of the 2016 tranche of Performance Rights vest, and all those instruments lapse.

KMP Employment Agreements

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

Name:	Mr Sam Riggall
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	1 July 2015
Term of agreement:	No fixed term
Termination:	The Company may terminate the agreement upon three months' notice or payment in lieu of notice. Mr Riggall 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.
Name:	Mr Ben Stockdale
Title:	Chief Financial Officer
Agreement commenced:	15 January 2015
Term of agreement:	No fixed term
Termination:	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.
Name:	Mr Tim Kindred
Title:	Sunrise Project and Start-Up Director
Agreement commenced:	20 February 2018
Term of agreement:	No fixed term
Termination:	The Company may terminate the agreement upon three months' notice or payment in lieu of notice. Mr Kindred 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.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

SECTION 3: NON-EXECUTIVE DIRECTOR REMUNERATION

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 \$1,000,000 per annum (as approved by shareholders on 19 July 2017) 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 include base fees for Board participation and fees for subcommittee roles and responsibilities. The structure of Non-Executive Director fees is tabled below.

Non-Executive Director fees were not changed during 2019 from the prior financial year, however, effective 1 July 2019 the Board resolved to create the position of Lead Independent Non-Executive Director with a base fee of \$95,000 per annum. Ms Loader was appointed to that role.

	2019
Non-Executive Director Base Fees	
Board Co-Chairman	127,500
Board Member	85,000
Board Subcommittee Fees	
Audit and Finance Committee Chair	12,500
Audit and Finance Committee Member	5,000
Nomination, Remuneration and Governance Committee Chair	12,500
Nomination, Remuneration and Governance Committee Member	5,000
Sustainability and Risk Committee Chair	12,500
Sustainability and Risk Committee Member	5,000

Non-Executive Directors are 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, however, Director remuneration figures quoted herein are inclusive of superannuation where applicable. The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

SECTION 4: STATUTORY REMUNERATION DISCLOSURES

Details of the remuneration and holdings in the securities of the Company of the KMP and Non-Executive Directors, prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and applicable Australian Accounting Standards, are set out in the following tables.

	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	
2019	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
Robert Friedland	127,500	-	-	-	-	-	127,500
Jiang Zhaobai	127,500	-	-	-	-	-	127,500
Li Bingham*	60,000	-	-	-	-	-	60,000
Judith Downes**	61,262	-	-	5,820	-	-	67,082
Eric Finlayson	82,192	-	-	7,808	-	-	90,000
Ian Knight	101,946	-	-	-	-	-	101,946
Stefanie Loader	107,500	-	-	-	-	-	107,500
Mike Spreadborough	90,563	-	-	8,604	-	53,576	152,743
Shawn Wang***	30,000	-	-	-	-	-	30,000
Executive Director:							
Sam Riggall	435,000	-	-	25,000	7,022	195,218	662,240
KMP:							
Tim Kindred	421,322	-	-	25,000	1,726	187,129	635,177
Ben Stockdale	369,200	-	-	25,000	6,638	69,226	470,064
	2,013,985	-	-	97,232	15,386	505,149	2,631,752

* Li Bingham resigned as a Non-Executive Director effective 6 March 2019.

** Judith Downes was appointed to the Board as a Non-Executive Director effective 1 October 2018.

*** Shawn Wang was appointed to the Board as a Non-Executive Director, effective 6 March 2019.

**** Bonus payments are presented on an accruals basis and do not reflect the actual timing of payments.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

2018	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:							
Robert Friedland	127,500	-	-	-	-	-	127,500
Jiang Zhaobai	127,500	-	-	-	-	-	127,500
Li Bingham	87,504	-	-	-	-	-	87,504
Eric Finlayson	83,713	-	-	7,953	-	-	91,666
Roger Harley*	37,576	-	-	3,570	-	-	41,146
Ian Knight	99,083	-	-	-	-	-	99,083
Stefanie Loader**	95,700	-	-	-	-	-	95,700
Mike Spreadborough	86,377	-	-	8,206	-	230,855	325,438
Executive Director:							
Sam Riggall	436,750	62,100	-	23,250	12,031	197,239	651,450
KMP:							
Tim Kindred***	107,692	19,650	-	10,231	-	19,650	117,923
Scott Magee****	308,425	-	-	24,258	-	-	344,716
Ben Stockdale	303,199	54,203	-	25,000	10,349	121,046	436,222
	1,901,019	135,953	-	102,468	22,380	432,837	2,545,848

* Roger Harley retired as a Non-Executive Director on 1 November 2017.

** Stefanie Loader was appointed to the Board as a Non-Executive Director with effect from 1 July 2017.

*** Tim Kindred was appointed as Project and Start up Director with effect from 20 February 2018.

**** Scott Magee resigned as Sunrise Project Director effective 20 February 2018. Of his salary payment, \$79,908 is a severance benefit.

***** Bonus payments are presented on an accruals basis and do not reflect the actual timing of payments.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

The following tables sets out the proportion of fixed and 'at risk' performance based remuneration for directors and Key Management Personnel for the current and previous financial period:

2019	Proportion of remuneration that is fixed	Proportion of remuneration at risk as cash settled STI	Proportion of remuneration at risk as equity settled LTI
Non-Executive Directors:			
Robert Friedland	100%	-	-
Jiang Zhaobai	100%	-	-
Li Bingham*	100%	-	-
Eric Finlayson	100%	-	-
Judith Downes**	100%	-	-
Ian Knight	100%	-	-
Stefanie Loader**	100%	-	-
Mike Spreadborough	65%	-	35%
Shawn Wang***	100%	-	-
Executive Director:			
Sam Riggall	71%	-	29%
KMP:			
Tim Kindred	70%	-	30%
Ben Stockdale	85%	-	15%

* Li Bingham resigned as a Non-Executive Director effective 6 March 2019.

** Judith Downes was appointed to the Board as a Non-Executive Director effective 1 October 2018.

*** Shawn Wang was appointed to the Board as a Non-Executive Director, effective 6 March 2019.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

2018	Proportion of remuneration that is fixed	Proportion of remuneration at risk as cash settled STI	Proportion of remuneration at risk as equity settled LTI
Non-Executive Directors:			
Robert Friedland	100%	-	-
Jiang Zhaobai	100%	-	-
Li Bingham	100%	-	-
Eric Finlayson	100%	-	-
Roger Harley*	100%	-	-
Ian Knight	100%	-	-
Stefanie Loader**	100%	-	-
Mike Spreadborough	29%	-	71%
Executive Director:			
Sam Riggall	60%	10%	30%
KMP:			
Tim Kindred***	66%	17%	17%
Scott Magee****	100%	-	-
Ben Stockdale	60%	12%	28%

* Roger Harley retired as a Non-Executive Director on 1 November 2017.

** Stefanie Loader was appointed to the Board as a Non-Executive Director with effect from 1 July 2017.

*** Tim Kindred was appointed as Project and Start up Director with effect from 20 February 2018.

****Scott Magee resigned as Sunrise Project Director effective 20 February 2018.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors KMP in the year ended 30 June 2019 financial year are as follows:

Grantee/Number of Options/ Grant Date	Vesting date & exercisable date	Expiry Date	Exercise Price	Fair value per option at grant date
Mike Spreadborough 375,000 options 19 July 2017	8 December 2017	17 February 2020	\$0.7770	\$0.379
Mike Spreadborough 375,000 options 19 July 2017	8 December 2018	17 February 2020	\$0.7770	\$0.379
Tim Kindred 500,000 options 13 July 2018	19 February 2019	19 February 2021	\$1.8800	\$0.223
Tim Kindred 500,000 options 13 July 2018	19 February 2020	19 February 2021	\$1.8800	\$0.223

Options carry no dividend or voting rights.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

The number of options over ordinary shares granted to directors and KMP as part of compensation during the year ended 30 June 2019 is set out below:

	Number of options granted during the year 2019	Number of options granted during the year 2018	Number of options vested during the year 2019	Number of options vested during the year 2018
Non-Executive Directors:				
Eric Finlayson	-	-	-	-
Ian Knight	-	-	-	-
Mike Spreadborough	-	750,000	375,000	375,000
Executive Director:				
Sam Riggall	-	-	-	-
KMP:				
Tim Kindred	1,000,000	-	500,000	-
Scott Magee	-	-	-	1,500,000
Ben Stockdale	-	-	-	-

Values of options (as at date of grant) over ordinary shares granted, exercised and lapsed for directors and KMP as part of compensation during the year ended 30 June 2019 are set out below:

	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$
Non-Executive Directors:			
Eric Finlayson	-	62,325	137,738
Ian Knight	-	-	137,738
Mike Spreadborough	-	-	-
Executive Director:			
Sam Riggall	-	-	-
KMP:			
Ben Stockdale	-	-	-
Tim Kindred	223,072	-	-

Options granted in prior years which expired or were exercised in the current year are disclosed in note 44 to the financial statements.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Performance Rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of KMP in this financial year are as follows:

Grantee/Number of Performance Rights/Grant Date	Vesting date	Expiry Date	Exercise Price	Fair value per performance right at grant date
Ben Stockdale 468,606 rights 16 May 2016	1 July 2019	1 July 2019	Nil	\$0.126
Sam Riggall 831,025 rights 6 September 2016	6 September 2019	6 September 2019	Nil	\$0.195
Ben Stockdale 187,880 rights 1 July 2017	1 July 2020	1 July 2020	Nil	\$0.581
Sam Riggall 411,546 rights 1 July 2017	1 July 2020	1 July 2020	Nil	\$0.581
Ben Stockdale 45,998 rights 6 Feb 2018	1 January 2021	1 January 2021	Nil	\$0.406
Ben Stockdale 81,320 rights 6 Sept 2018	1 July 2021	1 July 2021	Nil	\$0.150
Sam Riggall 71,170 rights 6 Sept 2018	1 July 2021	1 July 2021	Nil	\$0.251
Sam Riggall 71,171 rights 6 Sept 2018	1 July 2021	1 July 2021	Nil	\$0.348
Tim Kindred 92,073 rights 6 Sept 2018	1 July 2021	1 July 2021	Nil	\$0.150
Ben Stockdale 99,619 rights 6 Feb 2019	1 January 2022	1 January 2022	Nil	\$0.137
Ben Stockdale 99,619 rights 6 Feb 2019	1 January 2022	1 January 2022	Nil	\$0.156
Tim Kindred 112,791 rights 6 Feb 2019	1 January 2022	1 January 2022	Nil	\$0.137
Tim Kindred 112,791 rights 6 Feb 2019	1 January 2022	1 January 2022	Nil	\$0.156

Performance rights carry no dividend or voting rights.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

The number of performance rights over ordinary shares granted to each KMP as part of remuneration during the year ended 30 June 2019 is set out below:

	Number of rights granted during the year 2019	Number of rights granted during the year 2018	Number of rights vested during the year 2019	Number of rights vested during the year 2018
Sam Riggall	243,098	411,546	480,000	-
Tim Kindred	317,655	-	-	-
Ben Stockdale	280,558	233,878	400,000	-

Values of performance rights over ordinary shares (as at date of grant) granted, exercised and lapsed to key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	\$ Value of rights granted during the year 2019	\$ Value of rights granted during the year 2018	\$ Value of rights vesting during the year 2019	\$ Value of rights vesting during the year 2018
Sam Riggall	42,633	69,218	31,330	-
Tim Kindred	46,893	-	-	-
Ben Stockdale	41,416	36,378	34,410	-

Director and KMP interests in equity instruments of the Company

Movement in shares held

The number of ordinary shares in the Company held during the financial year by each director and KMP of the Consolidated Entity, including their related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at end of the year
Non-Executive Directors:					
Robert Friedland	96,600,896	-	-	-	96,600,896
Jiang Zhaobai	92,518,888	-	-	-	92,518,888
Stefanie Loader	50,000	-	50,000	-	100,000
Li Bingham*	-	-	-	-	-
Judith Downes	-	-	357,290	-	357,290
Eric Finlayson	-	-	750,000	-	750,000
Ian Knight	1,646,840	-	-	-	1,646,840
Mike Spreadborough	-	-	-	-	-
Shawn Wang**	-	-	-	-	-
Executive Director:					
Sam Riggall	26,112,055	558,192	-	(230,000)	26,440,247
KMP:					
Tim Kindred	-	24,742	-	(24,742)	-
Ben Stockdale	1,700,000	468,248	-	(468,248)	1,700,000
	218,628,679	1,051,182	1,157,290	(722,990)	220,114,161

* Retired as director with effect from 6 March 2019. Final balance as per date of resignation.

** Appointed as director with effect from 6 March 2019.

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Grant of anti-dilution right to Pengxin International Group Limited

On 27 March 2017, ASX Limited ('ASX') granted the Company a waiver from ASX listing rule 6.18. This waiver was given to the extent necessary to permit Pengxin International Group Limited ('Pengxin'), a company associated with Mr Jiang Zhaobai and Mr Shawn Wang, to maintain, its percentage interest in the issued share capital of the company.

This Anti-Dilution Right is activated if a dilution event occurs in the future. The Anti-Dilution Right lapses on the earlier of:

- (i) the date on which Pengxin and its related bodies corporate cease to hold in aggregate at least 10% voting power in the Company;
- (ii) the date on which Pengxin and its related bodies corporate's voting power in the Company exceeds 25%; or
- (iii) the strategic relationship between the Company and Pengxin ceases or changes in such a way that it effectively ceases.

This Anti-Dilution Right can only be transferred to an entity in the wholly owned group of Pengxin. During the financial year ended 30 June 2019, no event occurred which triggered the Pengxin Anti-Dilution Right.

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:

	Balance at the start of the year	Granted as part of remuneration	Exercised	Expired/forfeited/other	Balance at end of the year
Non-Executive Directors:					
Eric Finlayson	1,125,000	-	(750,000)	(375,000)	-
Ian Knight	375,000	-	-	(375,000)	-
Mike Spreadborough	750,000	-	-	-	750,000
Executive Director:					
Sam Riggall	-	-	-	-	-
KMP:					
Ben Stockdale	-	-	-	-	-
Tim Kindred	-	1,000,000	-	-	1,000,000
	2,250,000	1,000,000	(750,000)	(750,000)	3,250,000

Movement in performance rights held

The number of performance rights 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:

	Balance at the start of the year	Granted as part of remuneration	Vested	Expired/forfeited/other	Balance at end of the year
Sam Riggall	1,722,571	243,098	(480,000)	-	1,485,669
Tim Kindred	-	317,655	-	-	317,655
Ben Stockdale	1,102,484	280,558	(400,000)	-	983,042
	2,825,055	841,311	(880,000)	-	2,786,366

DIRECTORS' REPORT Continued

For the year ended 30 June 2019

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number under Option
15 December 2016	15 December 2019	\$0.5850	325,000
19 July 2017	17 February 2020	\$0.7700	750,000
7 September 2017	31 August 2020	\$0.9500	350,000
13 November 2017	6 November 2020	\$1.7300	75,000
5 February 2018	4 December 2020	\$1.8000	5,000,000
2 July 2018	12 March 2021	\$1.6300	500,000
13 July 2018	19 February 2021	\$1.8800	1,000,000
9 October 2018	3 September 2021	\$1.0900	1,000,000
			9,000,000

No option holder has any right by virtue of the option to participate in any share issue of the Company or of any other of its related bodies corporate.

Shares subject to performance rights

Unissued ordinary shares of Clean TeQ Holdings Limited subject to performance rights as at 30 June 2019 are as follows:

Grant Date	Vest Date	Exercise Price	Number
16 May 2016	1 July 2019	Nil	2,462,169
15 August 2017	1 July 2020	Nil	1,344,573
6 February 2018	1 January 2021	Nil	519,419
6 September 2018	1 July 2021	Nil	953,449
6 February 2019	1 January 2022	Nil	2,634,802
			7,914,412

Shares issued on the exercise of options or performance rights

During the year, the Company issued the following number of shares tabled below as a result of option holders exercising their options:

Number of Shares	Amount paid on each share
634,173	\$0.2820
831,092	\$0.2712

Voting and comments made at the Company's November 2018 Annual General Meeting ('AGM')

The Company received 165,757,845 (73.4% of votes cast) votes 'for' and 59,962,615 (26.6% of votes cast) votes 'against' the remuneration report for the year ended 30 June 2018, resulting in a first strike against the remuneration report. In response to that result, the Board has sought to improve shareholders' understanding of the remuneration arrangements through expanded and enhanced disclosures in this Remuneration Report.

This concludes the Remuneration Report which has been audited.

AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 30 June 2019



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 audit of Clean TeQ Holdings Limited for the financial year ended 30 June 2019 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.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Tony Romeo'.

Tony Romeo

Partner

Melbourne

22 August 2019

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	Consolidated	
		2019 \$'000	2018 \$'000
Revenue and other income	5	4,697	4,209
Interest income		2,994	1,758
Share of profit/(loss) of joint venture accounted for using the equity method	6	35	(1)
Expenses			
Raw materials and other direct costs	7	(2,981)	(2,480)
Employee benefits expenses	7	(11,487)	(9,895)
Depreciation and amortisation expenses	7	(829)	(781)
Legal and professional expenses		(3,510)	(2,281)
Occupancy expenses	7	(1,274)	(1,159)
Marketing expenses		(1,022)	(1,363)
Other expenses		(4,631)	(3,864)
Finance costs		(5)	(154)
Loss before income tax benefit		(18,013)	(16,012)
Income tax benefit	8	-	-
Loss after income tax benefit for the year		(18,013)	(16,012)
<i>Loss after income tax benefit for the year is attributable to:</i>			
Owners of the company		(17,921)	(16,012)
Non-controlling interests		(92)	-
		(18,013)	(16,012)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(18,013)	(16,012)
<i>Total comprehensive income for the year is attributable to:</i>			
Owners of the company		(17,921)	(16,012)
Non-controlling interests		(92)	-
		(18,013)	(16,012)

	Note	Consolidated	
		2019 Cents	2018 Cents
Earnings per share of loss from continuing operations attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share	43	(2.40)	(2.57)
Diluted earnings per share	43	(2.40)	(2.57)
Earnings per share of loss attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share	43	(2.40)	(2.57)
Diluted earnings per share	43	(2.40)	(2.57)

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

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2019

	Note	Consolidated	
		2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	9	78,871	152,637
Trade and other receivables	10	3,568	2,658
Inventories	11	96	96
Research and development incentive receivable	12	14,867	67
Other financial assets	13	100	-
Total current assets		97,502	155,458
Non-current assets			
Other financial assets	13	146	228
Investment in equity accounted investee	14	838	803
Property, plant and equipment	15	21,553	18,580
Intangibles	16	9,367	9,762
Exploration and evaluation assets	17	121,060	76,894
Total non-current assets		152,965	106,267
Total assets		250,467	261,725
Current liabilities			
Trade and other payables	18	10,490	6,998
Employee benefits	19	902	613
Provisions	24	667	1,225
Deferred revenue	20	47	47
Total current liabilities		12,106	8,883
Non-current liabilities			
Deferred revenue	20	402	448
Employee benefits	23	144	40
Provisions	24	202	198
Shareholder Loans	25	137	-
Total non-current liabilities		885	686
Total liabilities		12,991	9,569
Net assets		237,476	252,156
Equity			
Issued capital	26	289,637	289,293
Reserves	27	14,481	11,492
Accumulated losses	28	(66,550)	(48,629)
Non-Controlling Interest	29	(92)	-
Total equity		237,476	252,156

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

Consolidated	Contributed Equity \$'000	Accumulated Losses \$'000	Reserves \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
Balance at 1 July 2017	137,517	(32,617)	8,484	-	113,384
Loss after income tax benefit for the financial year	-	(16,012)	-	-	(16,012)
Total comprehensive income for the financial year	-	(16,012)	-	-	(16,012)
<i>Transactions with owners in their capacity as owners:</i>					
Equity contributions, net of transaction costs	151,776	-	-	-	151,776
Share-based payments (note 43)	-	-	3,008	-	3,008
Total contribution and distribution:	151,776	-	3,008	-	154,784
Balance at 30 June 2018	289,293	(48,629)	11,492	-	252,156
Balance at 1 July 2018	289,293	(48,629)	11,492	-	252,156
Loss after income tax benefit for the financial year	-	(17,921)	-	(92)	(18,013)
Total comprehensive income for the financial year	-	(17,921)	-	(92)	(18,013)
<i>Transactions with owners in their capacity as owners:</i>					
Equity contributions, net of transaction costs	344	-	-	-	344
Share-based payments (note 43)	-	-	2,989	-	2,989
Total contribution and distribution:	344	-	2,989	-	3,333
Balance at 30 June 2019	289,637	(66,550)	14,481	(92)	237,476

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

CASH FLOW STATEMENT

For the year ended 30 June 2019

	Note	Consolidated	
		2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		5,483	4,423
Payments to suppliers and employees (inclusive of GST)		(23,594)	(17,863)
Cash used in operating activities		(18,111)	(13,440)
Interest received		3,040	1,652
Research and development tax incentive received		-	4,790
Net cash used in operating activities	42	(15,071)	(6,998)
Cash flows from investing activities			
Payments for property, plant and equipment	15	(4,575)	(14,682)
Payments for acquisition of other intangibles	16	(250)	-
Payments for exploration and evaluation assets	17	(54,339)	(63,174)
Proceeds from sale of plant & equipment	5	6	-
Net cash used in investing activities		(59,159)	(77,856)
Cash flows from financing activities			
Proceeds from issue of shares, net of issuance costs		344	151,776
Proceeds from shareholder loans		138	-
Cash on deposit for security over bank guarantees		(18)	(148)
Repayment of borrowings		-	(3,000)
Net cash from financing activities		464	148,628
Net increase/(decrease) in cash and cash equivalents		(73,766)	63,774
Cash and cash equivalents at the beginning of the financial year		152,637	88,863
Cash and cash equivalents at the end of the financial year	9	78,871	152,637

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

NOTE 1. GENERAL INFORMATION

The financial statements cover the Clean TeQ Holdings Limited group as a Consolidated Entity consisting of Clean TeQ Holdings Limited ('the Company') and its subsidiaries ('Consolidated Entity'). 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 21 August 2019. 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) 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 year of \$18,013,000 (30 June 2018: loss of \$16,012,000). The entity earned significant revenues from its Water Division during the financial year, however, these revenues were more than offset by research and development, business development and corporate overhead and administration costs. Working capital, being current assets less current liabilities, amounts to a \$85,489,000 surplus (30 June 2018: \$146,396,000 surplus), with cash reserves decreasing from \$152,637,000 to \$78,871,000 during the financial year. Net cash outflows from operating activities were \$15,071,000 for the financial year (30 June 2018: \$6,998,000 outflow).

During the financial year and subsequent to 30 June 2019, the following events have taken place to support the going concern basis of preparation for the Consolidated Entity:

- The Consolidated Entity has available cash on hand as at 30 June 2019 of \$78,871,000;
- The Consolidated Entity received a \$14,574,000 cash rebate on 16 July 2019 from the Australian Tax Office for eligible research and development expenditure relating to the 2018 financial year. The Consolidated Entity anticipates that a proportion of the 2019 financial year's research and development expenditure, will also be eligible for the refundable tax offset; and
- The forecast cash flows for the Consolidated Entity indicate that, based on current cash on hand, the Consolidated Entity is able to maintain a positive cash position for at least the period of 12 months to August 2020.

The Consolidated Entity expects that relationships 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.

As set out in the financial report, during the financial year the Consolidated Entity made good progress in respect of the commercialisation of its water and metals 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 also made good progress in respect of the ongoing development of the Clean TeQ Sunrise Project. 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 medium term working capital requirements and has a history of securing such funding as required in the past to support their confidence.

On the basis of cash and cash equivalents available as at 30 June 2019, cashflow forecasts to 31 December 2020, and that sufficient funding is expected to be raised to meet the Consolidated Entity's medium to long term expenditure forecasts, the directors consider that the Consolidated Entity remains a going concern and these financial statements have been prepared on this basis.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

(b) 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.

(c) 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 38.

(d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clean TeQ Holdings Limited as at 30 June 2019 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.

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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

Transactions eliminated on consolidation

Intercompany transactions, balances and any unrealised gains and losses 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.

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

(f) 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

In the current year, the Consolidated Entity has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 July 2018. AASB 15 introduced a 5-step approach to revenue recognition.

The Consolidated Entity adopts the following approach to recognising revenue in relation to the sale of goods and services under contract:

- Establish performance obligations or milestones in each contract for goods and services. When a milestone is reached, that is the catalyst to recognise revenue from the customer;
- Establish the transaction price in the contract, and allocate that transaction price to each milestone in the contract; and,
- Recognise revenue when the milestone is satisfied.

This process is in accordance with the 5-step approach to revenue recognition that is prescribed by AASB 15.

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.

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.

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 or other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Consolidated Entity for expenditure capitalised are recognised as a reduction in the carrying value of the asset and grants that compensate the Consolidated Entity for expenditure recognised in profit or loss is recognised as government grant income.

(g) Exploration and evaluation assets

Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure is capitalised and carried forward in the financial statements, in respect of areas of interest for which the rights of tenure are current and where such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. Capitalised costs are deferred until commercial production commences from the relevant area of interest, at which time they are amortised on a unit of production basis.

Exploration and evaluation expenditure consists of an accumulation of acquisition costs and direct exploration and evaluation costs incurred.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment policy, Note 2(o)). For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

When an area of interest is abandoned, or the Directors determine it is not commercially viable to pursue, accumulated costs in respect of that area are written off in the period the decision is made.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

(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 comprises 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 at 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

(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.

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Consolidated Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, AASB 9 requires the Consolidated Entity to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost;
- Lease receivables,
- Trade receivables and contract assets, and
- Financial guarantee contracts to which the impairment requirements of AASB 9 apply.

In particular, AASB 9 requires the Consolidated Entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Consolidated Entity has recognised no credit losses in this financial year, or the previous financial year.

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

(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 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

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:

Mining 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)
Leasehold improvements	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 maturing within twelve months of each reporting period is disclosed as a current other financial asset. Those deposits that mature in excess of twelve months are disclosed as non-current other financial assets.

(o) Intangibles

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 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.

Capitalised development costs

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 an economic 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 economic 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 licence 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 2(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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

(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 (including mining rights acquired via business combination) 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. 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.

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. The Consolidated Entity derecognises the liabilities when its contractual obligations are discharged, cancelled or expired.

(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. The amounts are unsecured and are usually paid within 30 days of recognition. The Consolidated Entity derecognises the liability when its contractual obligations are discharged, cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

(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.

Interest related to the financial liability component is recognised in profit or loss. On conversion, the equity component of 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 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 Australian Corporate 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

Share-based payments

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

Equity-settled transactions are awards of shares, or options and performance rights 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 strike price of the option, 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 are not dependant on whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The costs 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 equity-settled transactions (performance rights or options) is initially, and at each reporting date until the vesting or expiry date, 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 costs of transactions settled by shares in lieu of cash, is determined by applying the fair value of the shares on the issue date.

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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

(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 ordinary shareholders of the Consolidated Entity 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 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 Legislative Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) New standards and interpretations not yet adopted

This is the first set of the Consolidated Entity's financial statements where AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers have been applied. The impact from the adoption of these standards is not material to these financial statements.

AASB 16 Leases

AASB 16 is effective for annual reporting periods beginning on or after 1 July 2019. Early adoption is permitted.

AASB 16 introduces a single, on balance sheet lease accounting model for leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Consolidated Entity has completed an initial assessment of the potential impact on its financial statements. The most significant impact identified is that the Consolidated Entity will recognise new assets and liabilities for operating leases of property. As at 30 June 2018, the Consolidated Entity's future minimum lease payments under non-cancellable operating leases amounted to \$1,352,000, on an undiscounted basis (Note 36).

In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Consolidated Entity plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised if required as an adjustment to the opening balance of accumulated losses at 1 July 2019, with no restatement of comparative information.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

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.

Exploration & Evaluation Assets

As set out in Note 2(g) exploration and evaluation expenditure is capitalised for an area of interest for which it is considered likely to be recoverable from future exploitation or sale.

The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. These estimates and assumptions may change as new information becomes available.

If, after having capitalised the expenditure under the accounting policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the profit or loss.

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. Based on the impairment review at 30 June 2019, the directors determined that no impairment of the intangible assets be recognised (2018: Nil). Details of the review, and the assumptions and estimates used, are contained in note 16.

Estimation of reserves

Reserves are estimates of the amount of product that can be economically and legally extracted from the properties owned by the Consolidated Group. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity, and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

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.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

The Consolidated Entity is organised into two operating segments: 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 Managing Director 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:

Water	The Company's suite of water technologies filter, separate and purify polluted waters for drinking, agriculture, recreation or industrial use.
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). The Metals segment is also progressing the development of the Sunrise Project in New South Wales.

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 Managing Director. 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.

Major customers

Major revenue for the year ended 30 June 2019 is derived chiefly from interest income and contracts with customers including Fosterville Gold Mine and Multotec.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

Operating segment information

Consolidated – 2019	Metals \$'000	Water \$'000	Intersegment eliminations/ unallocated* \$'000	Total \$'000
Revenue and other income				
Sales to external customers	-	3,816	-	3,816
Rental income	-	-	-	-
Interest income	-	-	2,994	2,994
Other revenue	-	356	525	881
Total revenue and other income	-	4,172	3,519	7,691
Share of profit/(loss) from Joint Venture	-	35	-	35
Reportable segment (loss)/profit before interest, depreciation and tax	(900)	(69)	(16,210)	(17,179)
Depreciation and amortisation	(263)	(381)	(185)	(829)
Impairment of assets	-	-	-	-
Finance costs	-	-	(5)	(5)
Profit/(loss) before income tax benefit	(1,163)	(450)	(16,400)	(18,013)
Income tax benefit	-	-	-	-
Loss after income tax benefit				(18,013)

Consolidated – 2019	Metals \$'000	Water \$'000	Intersegment eliminations/ unallocated* \$'000	Total \$'000
Assets				
Segment assets	148,018	7,772	94,677	250,467
Total assets				250,467
<i>Total assets includes:</i>				
Additions of non-current assets (including those acquired in a business combination)	58,364	188	612	59,164
Liabilities				
Segment liabilities	9,312	1,224	2,455	12,991
Total liabilities				12,991

* 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 Continued

For the year ended 30 June 2019

Consolidated – 2018	Metals \$'000	Water \$'000	Intersegment eliminations/ unallocated* \$'000	Total \$'000
Revenue and other income				
Sales to external customers	-	3,639	-	3,639
Rental income	46	-	-	46
Interest income	1	-	1,756	1,757
Other revenue	-	523	1	524
Total revenue and other income	47	4,162	1,757	5,966
Share of profit from Joint Venture	-	(1)	-	(1)
Reportable segment (loss)/profit before interest, depreciation and tax	(423)	(910)	(13,744)	(15,077)
Depreciation and amortisation	(339)	(380)	(62)	(781)
Impairment of assets	-	-	-	-
Finance costs	-	-	(154)	(154)
Profit/(loss) before income tax benefit	(762)	(1,290)	(13,960)	(16,012)
Income tax benefit	-	-	-	-
Loss after income tax benefit	(762)	(1,290)	(13,960)	(16,012)

Consolidated – 2018	Metals \$'000	Water \$'000	Intersegment eliminations/ unallocated* \$'000	Total \$'000
Assets				
Segment assets	101,500	6,005	154,220	261,725
Total assets				261,725
<i>Total assets includes:</i>				
Additions of non-current assets (including those acquired in a business combination)	78,220	-	360	78,580
Liabilities				
Segment liabilities	6,388	92	3,089	9,569
Total liabilities				9,569

* 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 Continued

For the year ended 30 June 2019

NOTE 5. REVENUE AND OTHER INCOME

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Sales revenue</i>		
Contract revenue	3,816	3,639
Government grants	356	419
Rental income	-	46
	4,172	4,104
<i>Other income</i>		
Gain from sale of asset	6	-
Other revenue	519	105
	525	105
Revenue and other income	4,697	4,209

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

	Consolidated	
	2019 \$'000	2018 \$'000
Share of profit/(loss) - Joint Venture	35	(1)

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 7. EXPENSES

	Consolidated	
	2019 \$'000	2018 \$'000
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Cost of sales</i>		
Raw materials and other direct costs	2,981	2,480
<i>Depreciation</i>		
Motor vehicles	20	12
Leasehold improvements	67	22
Office equipment and furniture	96	103
Total depreciation	183	137
<i>Amortisation</i>		
Capitalised development costs	611	610
Patents and trademarks	35	34
Total amortisation	646	644
Total depreciation and amortisation	829	781
<i>Employee benefit expenses</i>		
Wages and salaries	6,445	5,169
Employee entitlements expense including movements in provisions for employee entitlements	593	156
Superannuation	472	224
Equity settled share-based payments	2,989	3,008
Other costs	988	1,338
Total employee benefit expenses	11,487	9,895
<i>Rental expense relating to operating leases (occupancy expenses)</i>		
Lease payments	1,274	1,159

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 8. INCOME TAX BENEFIT

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Income tax benefit:</i>		
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 22)	-	-
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit from continuing operations	(18,013)	(16,012)
Profit before income tax (expense)/benefit from discontinued operations	-	-
	(18,013)	(16,012)
Tax at the statutory tax rate of 27.5% (2018: 27.5%)	(4,954)	(4,403)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	-	21
Share-based payments	822	827
Interest expense on promissory note treated as non-deductible	-	41
Tax losses (reinstated)/not brought to account	4,062	3,611
Non-assessable government grant income	(98)	(103)
Non-deductible R&D expense	-	279
R&D tax credit	-	(441)
Non-deductible amortisation expense	168	168
Income tax benefit	-	-
<i>Tax losses not recognised:</i>		
Unused tax losses for which no deferred tax asset has been recognised, including tax losses arising from a business combination	55,719	40,576
Potential tax benefit @ 27.5% (2018: 27.5%)	15,323	11,158
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	15,912	11,747
Temporary differences not brought to account	903	903

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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2019 \$'000	2018 \$'000
Cash at bank	78,871	152,637
	78,871	152,637

The effective interest rate on short-term bank deposits at 30 June 2019 was 2.43% (2018: 2.67%). These deposits have a maximum maturity of three months from year end. Any balances with maturities exceeding this have been disclosed as other financial assets.

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2019 \$'000	2018 \$'000
Trade receivables	558	473
Other receivables	3,010	2,185
	3,568	2,658

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$nil as at 30 June 2019 (\$nil as at 30 June 2018).

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	
	2019 \$'000	2018 \$'000
31-60 days	32	-
60-90 days	-	-
90+days	451	365
	483	365

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 2019 or 30 June 2018 and thus should not be provided for.

NOTE 11. CURRENT ASSETS – INVENTORIES

	Consolidated	
	2019 \$'000	2018 \$'000
Raw materials – at net realisable value	10	10
Finished goods – at cost	86	86
	96	96

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 12. CURRENT ASSETS – RESEARCH AND DEVELOPMENT INCENTIVE RECEIVABLE

	Consolidated	
	2019 \$'000	2018 \$'000
Research and development incentive receivable	14,867	67

Research and development incentive receivable represents the refund due to the Consolidated Entity on expenditure incurred during the current or previous financial years which is eligible for research and development tax concessions.

NOTE 13. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Current</i>		
Cash on deposit used as security for bank guarantees	100	-
<i>Non-Current</i>		
Cash on deposit used as security for bank guarantees and facilities	146	228

NOTE 14. NON-CURRENT ASSETS – INVESTMENT IN EQUITY ACCOUNTED INVESTEE

	Consolidated	
	2019 \$'000	2018 \$'000
Investment in joint venture	838	803

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 15. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2019 \$'000	2018 \$'000
Office furniture and equipment – at cost	738	339
Less: Accumulated depreciation	(246)	(162)
	492	177
Motor vehicles – at cost	169	146
Less: Accumulated depreciation	(64)	(52)
	105	94
Factory equipment – at cost	737	737
Less: Accumulated depreciation	(737)	(737)
	-	-
Leasehold improvements – at cost	436	342
Less: Accumulated depreciation	(161)	(94)
	275	248
Mining Equipment – at cost	13,131	13,374
	13,131	13,374
Land – at cost	7,550	4,687
	7,550	4,687
	21,553	18,580

Approximately \$2,229,000 of the land was acquired from Ivanhoe Mines Ltd as part of the Consolidated Group's acquisition of the Sunrise Project. The land was recorded at its deemed cost, being an approximation of its fair value as at that date as determined by management, with reference to an independent valuation performed in May 2013. The remainder of the land is recorded at cost. The acquisition of the Sunrise Project has been recognised as an asset acquisition in accordance with Australian Accounting Standards.

Reconciliations of carrying amount

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

	Mining Equipment \$'000	Land \$'000	Office Furniture & Equipment \$'000	Leasehold Improvements \$'000	Motor Vehicles \$'000	Total \$'000
Consolidated						
Balance as at 1 July 2017	-	2,357	94	150	61	2,662
Additions	13,374	2,330	188	138	45	16,075
Write off of assets	-	-	(2)	(18)	-	(20)
Depreciation expense	-	-	(103)	(22)	(12)	(137)
Balance as at 30 June 2018	13,374	4,687	177	248	94	18,580
Additions	1,163	2,863	412	94	43	4,575
Disposals	-	-	-	-	(12)	(12)
Reversal of Accrual	(1,406)	-	-	-	-	(1,406)
Depreciation expense	-	-	(97)	(67)	(20)	(183)
Balance as at 30 June 2019	13,131	7,550	492	275	105	21,553

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 16. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	2019 \$'000	2018 \$'000
Capitalised development costs – at cost	18,424	18,424
Less: Accumulated amortisation and impairments	(11,106)	(10,495)
	7,318	7,929
Patents and trademarks – at cost	713	713
Less: Accumulated amortisation and impairments	(406)	(371)
	307	342
Licence rights – at cost	4,792	4,542
Less: Accumulated amortisation and impairments	(3,051)	(3,051)
	1,742	1,491
	9,367	9,762

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:

Consolidated	Capitalised Development Costs \$'000	Licence Rights \$'000	Patents and Trademarks \$'000	Total \$'000
Balance as at 1 July 2017	8,539	1,491	376	10,406
Additions	-	-	-	-
Amortisation expense	(610)	-	(34)	(644)
Balance as at 30 June 2018	7,929	1,491	342	9,762
Additions	-	250	-	250
Amortisation expense	(611)	-	(35)	(646)
Balance as at 30 June 2019	7,318	1,742	307	9,367

Allocation of Intangible Assets to Cash Generating Units (CGUs)	Capitalised Development Costs \$'000	Licence Rights \$'000	Patents and Trademarks \$'000	Total \$'000
<i>As at 30 June 2018:</i>				
Water	4,108	20	171	4,299
Metals	3,821	1,471	171	5,463
	7,929	1,491	342	9,762
<i>As at 30 June 2019:</i>				
Water	3,693	21	153	3,867
Metals	3,625	1,721	154	5,500
	7,318	1,742	307	9,367

The carrying amount of each CGU inclusive of assets other than intangible assets is \$3,277,000 (2018: \$1,705,000) for Water and \$143,025,000 (2018: \$96,036,000) for Metals.

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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

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 where the Consolidated Entity's technologies are 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 2019, the directors and management of the Consolidated Entity identified that no impairment charge be recognised (30 June 2018: impairment of \$nil).

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-five year (Metals CGU) 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;
- 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 feasibility studies, memoranda of understanding signed, anticipated sales resulting from discussions with potential customers and other market data to forecast future revenue. Forecast production and processing results and capital and operating costs are estimated by appropriately qualified and competent personnel engaged by the Consolidated Entity for both the Water and Metals CGUs. 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 forecast prices of US\$8.50/lb for nickel (including US\$1.00/lb sulphate premium), US\$25.00/lb for cobalt, US\$1,500/Kg for Scandium oxide and AUD/USD 0.75 and a nominal discount rate of 15% post tax for all future cash flows for a 25 year period for the Metals CGU. The Water CGU forecast cashflows include income derived from a mix of long term (20 years) and short to medium term (5 years), tolling arrangement and plant revenue projects using a nominal discount rate of 15% post-tax. The discount rate was used in conjunction with a range of probability factors assigned to the award of all potential future contracts for the Water CGU to reflect the current assessment of the likelihood of success of the forecast cashflows.

Management notes that it is reasonable to assume that changes in key assumptions may occur in the future including changes to probability factors applied to forecast cash flows, changes in the timing of cash flows and changes to assumed rates of market penetration. Management considered the following reasonable possible changes in key assumptions as at 30 June 2019:

- 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 change of 5% in the weighted average cost of capital;
- An increase of 5% in operating expenditure;
- A reduction of 5% in commodity prices;
- A reduction of 5% in production yield;
- An increase of 5% in foreign currency exchange rates; and
- An increase of 10% in capital expenditure.

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 2019, reduce the recoverable amounts to the extent that the development intangible assets would be impaired. Therefore, reasonably possible changes in key assumptions are unlikely to result in an impairment at 30 June 2019 (30 June 2018: nil).

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 17. NON-CURRENT ASSETS – EXPLORATION & EVALUATION ASSETS

	Consolidated	
	2019 \$'000	2018 \$'000
At the beginning of the financial year	76,894	14,379
Additions:		
Feasibility Study	1,036	51,889
Met Testwork & Piloting	3,507	4,032
Engineering	36,407	-
Construction & Infrastructure	3,101	1,236
Environment, planning & community	798	1,799
Drilling and resource determination	1,368	2,070
Other	6,386	2,148
R&D tax incentive on exploration asset off-set	(14,490)	(2,395)
Accrual of expenditure at period end	6,053	1,736
At end of the financial year	121,060	76,894

Mineral tenement summary

Licence Number	Project Name	Location	Equity Interest 2019	Equity Interest 2018
EL4573	Sunrise	NSW	100%	100%
EL8561	Sunrise	NSW	100%	100%
EL8833	Sunrise	NSW	100%	-
ML1770	Sunrise	NSW	100%	100%
ML1769	Sunrise	NSW	100%	100%

NOTE 18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2019 \$'000	2018 \$'000
Trade payables	3,124	4,508
Other payables	7,366	2,490
	10,490	6,998

NOTE 19. CURRENT LIABILITIES – EMPLOYEE BENEFITS

	Consolidated	
	2019 \$'000	2018 \$'000
Annual leave	736	448
Long service leave	166	165
	902	613

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 20. DEFERRED REVENUE

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Current</i>		
Government grant*	47	47
<i>Non-Current</i>		
Government grant*	402	448
	449	495

* 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 22. NON-CURRENT LIABILITIES/ASSETS – DEFERRED TAX

	Consolidated Balance as at 30 June 2019				
	Net balance 1 July 2018 \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Deferred tax assets \$'000	Deferred tax liabilities \$'000
<i>Deferred tax asset (liability) comprises temporary differences attributable to:</i>					
Amounts recognised in:					
- Intangible assets	(2,038)	168	-	-	(1,870)
- Unearned interest	48	16	-	64	-
- Accrued expenses	13	(215)	-	-	(202)
- Prepaid expenses	-	-	-	-	-
- Employee benefits	179	78	-	288	-
- Transaction costs on share issues	170	-	(381)	-	(211)
- Legal and consulting fees	15	-	-	15	-
- Plant & equipment	(43)	(69)	-	-	(112)
- Unused tax losses	1,656	372	-	2,028	-
Tax liabilities (assets) before set-off	-	-	2,395	(2,395)	-
Set off deferred tax assets/liabilities	-	-	(2,395)	2,395	-
Net tax liabilities (assets)	-	-	-	-	-
<i>Movements 2019</i>					
Opening balance	-	-	-	-	-
Charges to profit or loss (note 8)	-	-	-	-	-
Closing balance	-	-	-	-	-

NOTE 23. NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

	Consolidated	
	2019 \$'000	2018 \$'000
Long service leave	144	40

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 24. PROVISIONS

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Current</i>		
Provision for settlement of creditor dispute*	-	1,225
Provision for rectification	667	-
	667	1,225
<i>Non-Current</i>		
Provision for make good at end of lease	202	198
	869	1,423

* The provision of \$1,225,000 raised in the previous financial year relates to a dispute that a member of the Consolidated Entity was having with a creditor in relation to the value of services provided by the creditor. This dispute was settled during the current financial year.

NOTE 25 – SHAREHOLDER LOANS

	Consolidated	
	2019 \$'000	2018 \$'000
Minority shareholder loan to Nematiq Pty Ltd	137	-
	137	-

NOTE 26. EQUITY – ISSUED CAPITAL

	Consolidated			
	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Ordinary shares – fully paid	746,460,205	742,757,760	289,637	289,293

Movements in ordinary share capital

Details	Date	Shares	Issue Price	\$'000
Balance	1 Jul 2018	742,757,760		289,293
Exercise of Options by Option Holder	2 Jul 2018	500,000	\$0.2820	141
Shares issued at nil consideration on vesting of Performance Rights	4 Jul 2018	1,646,416	\$0.0000	-
Shares issued at nil consideration under the Short Term Incentive Plan	4 Sep 2018	512,572	\$0.0000	-
Exercise of Options by Option Holder	22 Nov 2018	750,000	\$0.2712	203
Shares issued at nil consideration under the Short Term Incentive Plan	23 Nov 2018	78,192	\$0.0000	-
Exercise of options by Option Holder (cash less)	30 Nov 2018	81,092	\$0.0000	-
Exercise of options by Option Holder (cash less)	3 May 2019	134,173	\$0.0000	-
Capital raising costs		-		-
Balance	30 Jun 2019	746,460,205		289,637

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

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 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.

NOTE 27. EQUITY – RESERVES

	Consolidated	
	2019 \$'000	2018 \$'000
Share based payments reserve	14,481	11,492
	14,481	11,492

Movements in reserves

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

	Share Based Payments \$'000	Total \$'000
Consolidated		
Balance as at 1 July 2017	8,484	8,484
Lapsed options	-	-
Share based payments	3,008	3,008
Balance as at 30 June 2018	11,492	11,492
Lapsed options	-	-
Share based payments	2,989	2,989
Balance as at 30 June 2019	14,481	14,481

NOTE 28. EQUITY – ACCUMULATED LOSSES

	Consolidated	
	2019 \$'000	2018 \$'000
Accumulated losses at the beginning of the financial year	(48,629)	(32,617)
Loss after income tax benefit for the year	(17,921)	(16,012)
	(66,550)	(48,629)

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 29. EQUITY – NON-CONTROLLING INTEREST

	Consolidated	
	2019 \$'000	2018 \$'000
Balance as start of financial year	-	-
Loss after income tax benefit for the year attributable to non-controlling interest	(92)	-
	(92)	-

NOTE 30. EQUITY – DIVIDENDS

Dividends

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

Franking credits

	Consolidated	
	2019 \$'000	2018 \$'000
Franking credits available for future years based on a tax rate of 27.5%	-	-

NOTE 31. 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.

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 manages 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Consolidated Entity'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.

Interest rate risk

The Consolidated Entity currently has no 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 and credit card debts, and short-term deposit facilities with variable interest rates which mature within 90 days.

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 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.

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 and other receivables of \$3,568,000 (2018: \$2,658,000) 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 concentrations of credit risk in relation to project revenue, due to the progress on 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 must be approved by the Board prior to the contract being signed.

Many of the Consolidated Entity's customers are typically large corporations. 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.

The Consolidated Entity's trade and other receivables relate mainly to the Group's wholesale customers who are predominantly made up of large corporations. 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 10 for debtors aging analysis.

Guarantees

The Consolidated Entity's policy is to provide financial guarantees only to wholly-owned subsidiaries. As at the reporting date, there are no outstanding guarantees.

Cash and cash equivalents

The Consolidated Entity held cash and cash equivalents of \$78,871,000 as at 30 June 2019 (2018: \$152,637,000). The cash and cash equivalents are held with top tier banks in accordance with a board approved credit risk management policy.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

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 not less than 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.

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.

	Contractual cash flows					
	Carrying amount \$'000	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Consolidated – 2019						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	3,124	3,124	-	-	-	3,124
Other payables	7,366	7,366	-	-	-	7,366
Shareholder loans	137	-	-	137	-	137
Total non-derivatives	10,627	10,490	-	137	-	10,627

	Contractual cash flows					
	Carrying amount \$'000	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
Consolidated – 2018						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	4,508	4,508	-	-	-	4,508
Other payables	2,490	2,490	-	-	-	2,490
Total non-derivatives	6,998	6,998	-	-	-	6,998

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 nor 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 32.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 32. 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.

	Carrying amount \$'000	Fair value			Total \$'000
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Consolidated – 2019					
<i>Financial assets not measured at fair value</i>					
Cash and cash equivalents	78,871	-	-	-	-
Trade and other receivables	3,568	-	-	-	-
Other financial assets	246	-	-	-	-
	82,685	-	-	-	-
<i>Financial liabilities not measured at fair value</i>					
Trade and other payables	(10,490)	-	-	-	-
Shareholder loan	(137)	-	-	-	-
	(10,627)	-	-	-	-

	Carrying amount \$'000	Fair value			Total \$'000
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Consolidated – 2018					
<i>Financial assets not measured at fair value</i>					
Cash and cash equivalents	152,637	-	-	-	-
Trade and other receivables	2,666	-	-	-	-
Other financial assets	228	-	-	-	-
	155,531	-	-	-	-
<i>Financial liabilities not measured at fair value</i>					
Trade and other payables	(6,998)	-	-	-	-
Other borrowings	-	-	-	-	-
	(6,998)	-	-	-	-

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 measured at fair value – valuation technique

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 other financial assets 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 33. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

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

Robert Friedland (Co-Chairman and Non-Executive Director)

Jiang Zhaobai (Co-Chairman and Non-Executive Director)

Sam Riggall (Managing Director and CEO)

Li Bingham (Non-Executive Director)

Judith Downes (Independent Non-Executive Director)

Eric Finlayson (Independent Non-Executive Director)

Ian Knight (Independent Non-Executive Director)

Stefanie Loader (Independent Non-Executive Director)

Mike Spreadborough (Independent Non-Executive Director)

Shawn Wang (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:

Tim Kindred (Sunrise Project and Start up Director)

Ben Stockdale (Chief Financial Officer)

Compensation

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

	Consolidated	
	2019 \$	2018 \$
Short-term employee benefits	2,013,985	1,908,255
Post-employment benefits	97,232	102,468
Long-term benefits	15,386	22,380
Termination benefits	-	79,908
Share-based payments	505,149	432,837
	2,631,752	2,545,848

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.

NOTE 34. 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	
	2019 \$	2018 \$
<i>Audit services – KPMG</i>		
Audit or review of the financial statements	90,563	86,951
Audit-related services	-	-
	90,563	86,951
<i>Other services – KPMG</i>		
Advisory services	-	7,687
Taxation services	72,509	104,471
	72,509	112,158
	163,072	199,109

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 35. 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 Sunrise Project. This royalty is payable to Ivanhoe Mines, and is payable by Clean TeQ Sunrise Pty Ltd, a company within the Consolidated Entity. This royalty was part of the consideration paid for the acquisition of the Sunrise Project from Ivanhoe Mines on 31 March 2015.

NOTE 36. COMMITMENTS

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Hire purchases</i>		
<i>Committed at the reporting date and recognised as liabilities, payable:</i>		
Within one year	-	-
One to five years	-	-
	-	-
Total commitment	-	-
Less: Future finance charges	-	-
Net commitment recognised as liabilities	-	-
<i>Operating leases (non-cancellable)</i>		
<i>Committed at the reporting date but not recognised as liabilities, payable:</i>		
Within one year	590	486
One to five years	762	780
More than five years	-	-
	1,352	1,266

NOTE 37. RELATED PARTY DISCLOSURES

Parent Entity

Clean TeQ Holdings Limited is the Parent Entity.

Subsidiaries

Interests in subsidiaries are set out in note 39.

Key management personnel

Disclosures relating to key management personnel are set out in note 33.

Transactions with related parties

No transactions occurred with related parties during the financial year ending 30 June 2019 or the previous financial year.

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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 38. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019 \$'000	2018 \$'000
Profit(loss) after income tax	(2,989)	(6,844)
Total comprehensive income/(loss)	(2,989)	(6,844)

Statement of financial position

	Parent	
	2019 \$'000	2018 \$'000
Total current assets	1	4,790
Total assets	290,937	290,592
Total current liabilities	-	-
Total liabilities	(11,934)	(11,934)
Equity		
Issued capital	289,637	289,293
Share-based payments reserve	14,481	11,492
Accumulated losses	(25,115)	(22,127)
Total equity	279,002	278,658

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 2019 and 30 June 2018, 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 2019 and 30 June 2018.

Capital commitments – Property, plant and equipment

The Parent Entity had no capital commitments for property, plant and equipment at as 30 June 2019 and 30 June 2018, 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 39. 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	
		2019 %	2018 %
Clean TeQ Pty Ltd*	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%
Clean TeQ Sunrise Pty Ltd**	Australia	100%	100%
Uranium Development Pty Ltd	Australia	100%	100%
CLQW HK Limited	Hong Kong	100%	100%
Syerston Scandium Pty Ltd	Australia	100%	100%
Shanyi Hoyo Clean TeQ Environmental Co Ltd***	China	50%	50%
Clean Teq Environmental Protection Technology (Beijing) co., Ltd	China	100%	100%
Tianjin Clean TeQ Biology Co., Ltd ****	China	50%	50%
Nematiq Pty Ltd *****	Australia	75%	-%

* Entity's name was changed from Clean TeQ Limited to Clean TeQ Pty Ltd on 12 November 2018 to reflect its change in status from a public unlisted company to a proprietary limited company.

** Entity's name was changed from Scandium21 Pty Ltd to Clean TeQ Sunrise Pty Ltd on 11 July 2018.

*** Accounted for as investment in equity accounted trustee.

**** New Chinese entity established during the year ended 30 June 2019.

*****New Australian entity established during the year ended 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 40. 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 Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

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'.

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

	2019 \$'000	2018 \$'000
Statement of profit or loss and other comprehensive income		
Revenue	3,579	2,642
Raw materials and other direct costs	(2,392)	(2,306)
Employee benefits expenses	(10,146)	(9,098)
Depreciation and amortisation expenses	(737)	(707)
Legal and professional expenses	(2,749)	(2,052)
Occupancy expenses	(676)	(1,022)
Marketing expenses	(723)	(1,087)
Other expenses	(3,386)	(2,751)
Finance costs	(5)	(154)
Loss before income tax benefit	(17,235)	(16,535)
Income tax benefit	-	-
Loss after income tax benefit	(17,235)	(16,535)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(17,235)	(16,535)
	2019 \$'000	2018 \$'000
Equity – retained profits		
Retained profits/(accumulated losses) at the beginning of the financial year	(47,667)	(31,132)
Loss after income tax benefit	(17,235)	(16,535)
Accumulated losses at the end of the financial year	(64,902)	(47,667)

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

Statement of financial position	2019 \$'000	2018 \$'000
Current assets		
Cash and cash equivalents	77,988	152,262
Trade and other receivables	1,212	1,426
Inventories	96	96
Income tax receivable	14,867	67
	94,123	153,851
Non-current assets		
Receivables	137,810	92,433
Other financial assets	146	128
Plant and equipment	304	298
Intangible assets	8,047	8,442
Investment in subsidiary companies	1,054	1,054
	147,361	102,355
Total assets	241,484	256,206
Current liabilities		
Trade and other payables	836	1,855
Employee benefits	644	500
Deferred revenue	47	47
	1,527	2,402
Non-current liabilities		
Deferred revenue	402	448
Employee benefits	137	40
Provisions	202	198
	741	686
Total liabilities	2,268	3,088
Net assets	239,216	253,118
Equity		
Issued capital	289,637	289,293
Reserves	14,481	11,492
Accumulated losses	(64,902)	(47,667)
Total equity	239,216	253,118

NOTE 41. EVENTS AFTER THE REPORTING PERIOD

On 26 July 2019, the Consolidated Entity announced that it and Hoyo have mutually agreed to terminate the joint venture agreement, dissolve the joint venture company and repatriate the equity contributions made into the joint venture entity to date. The effect on the Consolidated Entity's future operations is not expected to be material.

The Consolidated Entity received a \$14,574,000 cash rebate on 16 July 2019 from the Australian Tax Office for eligible research and development expenditure relating to the 2018 financial year. No other matters or circumstance has arisen since 30 June 2019 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

NOTE 42. RECONCILIATION OF CASH USED IN OPERATING ACTIVITIES

	Note	Consolidated	
		2019 \$'000	2018 \$'000
Loss after income tax expense for the year		(18,013)	(16,012)
Adjustments for:			
Depreciation and amortisation	7	829	781
Share-based payments	7	2,989	3,008
Non-cash finance costs		(5)	150
Share of (profit)/loss – Joint Venture		(35)	(1)
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		540	(1,235)
Decrease/(increase) in other financial assets		82	(148)
Decrease/(increase) in R&D contra asset		14,491	2,395
(Increase)/decrease in accrued revenue		(14,800)	(47)
Increase/(decrease) in trade and other payables		(1,541)	3,827
Increase/(decrease) in employee benefits		392	284
Net cash used in operating activities		(15,071)	(6,998)

NOTE 43. EARNINGS PER SHARE

	Consolidated	
	2019 \$'000	2018 \$'000
<i>Loss per share from continuing operations</i>		
Loss after income tax attributable to the owners of Clean TeQ Holdings Limited	(17,921)	(16,012)
	2019 Number	2018 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	745,879,815	623,241,497
Weighted average number of ordinary shares used in calculating diluted earnings per share	745,879,815	623,241,497
	2019 Cents	2018 Cents
Basic earnings per share	(2.40)	(2.57)
Diluted earnings per share	(2.40)	(2.57)
	Consolidated	
	2019 \$'000	2018 \$'000
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Clean TeQ Holdings Limited	(17,921)	(16,012)

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

	2019 Number	2018 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	745,879,815	623,241,497
Weighted average number of ordinary shares used in calculating diluted earnings per share	745,879,815	623,241,497

	2019 Cents	2018 Cents
Basic earnings per share	(2.40)	(2.57)
Diluted earnings per share	(2.40)	(2.57)

Options 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 financial year.

NOTE 44. 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:

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
20/11/2015	30/11/2018	\$0.2712	1,000,000	-	(831,092)	(168,908)	-
16/05/2016	16/05/2019	\$0.2820	2,000,000	-	(500,000)	(1,500,000)	-
06/09/2016	16/05/2019	\$0.2820	1,000,000	-	(134,173)	(865,827)	-
06/09/2016	16/05/2019	\$0.3100	750,000	-	-	(750,000)	-
15/12/2016	15/12/2019	\$0.5850	325,000	-	-	-	325,000
19/07/2017	17/02/2020	\$0.7700	750,000	-	-	-	750,000
07/09/2017	31/08/2020	\$0.9500	150,000	-	-	-	150,000
07/09/2017	31/08/2020	\$0.9500	200,000	-	-	-	200,000
13/11/2017	06/11/2020	\$1.7300	75,000	-	-	-	75,000
05/02/2018	04/12/2020	\$1.8000	5,500,000	-	-	(500,000)	5,000,000
02/07/2018	12/03/2021	\$1.6300	-	500,000	-	-	500,000
13/07/2018	19/02/2021	\$1.8800	-	1,000,000	-	-	1,000,000
09/10/2018	03/09/2021	\$1.0900	-	1,000,000	-	-	1,000,000
			11,750,000	2,500,000	(1,465,265)	(3,784,735)	9,000,000
Weighted average exercise price:			\$1.0621	\$1.5140	\$0.2759	\$0.4876	\$1.5572

The weighted average number of years for share options issued under the Plan is 2.80 years (30 June 2018: 2.85 years).

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:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free Interest rate	Fair value at grant date
02/07/2018	12/03/2021	\$0.85	\$1.6300	81.96%	-%	2.60%	\$0.301
13/07/2018	19/02/2021	\$0.76	\$1.8800	82.65%	-%	2.63%	\$0.223
09/08/2018	03/09/2021	\$0.52	\$1.0900	82.25%	-%	2.77%	\$0.188

NOTES TO THE FINANCIAL STATEMENTS Continued

For the year ended 30 June 2019

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

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ Other*	Balance at the end of the year
08/07/2015	01/07/2018	\$0.00	766,416	-	(766,416)	-	-
20/11/2015	01/07/2018	\$0.00	880,000	-	(880,000)	-	-
16/05/2016	01/07/2019	\$0.00	1,169,463	-	-	-	1,169,463
06/09/2016	01/07/2019	\$0.00	1,292,706	-	-	-	1,292,706
15/08/2017	01/07/2020	\$0.00	1,515,498	-	-	(170,925)	1,344,573
06/02/2018	01/01/2021	\$0.00	487,760	-	-	(69,098)	418,662
06/09/2018	01/07/2021	\$0.00	-	908,488	-	(90,039)	818,449
22/11/2018	01/01/2021	\$0.00	-	100,757	-	-	100,757
22/11/2018	01/07/2021	\$0.00	-	142,341	-	-	142,341
06/02/2019	01/01/2022	\$0.00	-	2,761,851	-	(109,062)	2,652,789
			6,111,843	3,913,437	(1,646,416)	(439,124)	7,939,740

* Performance rights forfeited as they did not meet the vesting conditions prior to the expiry date or due to the employee ceasing employment.

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:

2018/2019							
Grant date	Expiry date	Share price at grant date	Risk-free Interest rate	Expected volatility	Dividend yield	Vesting probability	Fair value at grant date
06/09/2018	01/07/2021	\$0.50	2.57%	81.16%	-%	50.00%	\$0.251
06/09/2018	01/07/2021	\$0.50	2.57%	81.16%	-%	100.00%	\$0.348
06/02/2019	01/01/2022	\$0.38	2.25%	80.14%	-%	50.00%	\$0.274
06/02/2019	01/01/2022	\$0.38	2.25%	80.14%	-%	50.00%	\$0.312

DIRECTORS' DECLARATION

For the year ended 30 June 2019

In the directors' opinion:

- the attached Consolidated financial statements and notes thereto, and the Remuneration report in the Directors' report, comply with the Corporations Act 2001, the Australian Accounting Standards, and the Corporations Regulations 2001;
- the attached Consolidated financial statements and notes thereto, comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2(b) 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 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Consolidated Entity 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 38 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

Managing Director

22 August 2019

Melbourne

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the shareholders of Clean TeQ Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Clean TeQ Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of Financial Position as at 30 June 2019
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT Continued



Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation assessment for intangible assets (\$9.4 million) and exploration and evaluation (E&E) assets (\$121.1 million)

Refer to significant accounting policies in Note 2 and Notes 16 and 17 to the Financial Report.

The key audit matter	How the matter was addressed in our audit
<p>A discounted cash flow model is used in determining the recoverable amount of the Metals and Water cash generating units (CGUs) to which intangible assets and E&E assets have been allocated. The valuation of the Metals and Water CGU intangible assets and Metals E&E assets is a key audit matter due to the audit effort required by us in assessing the Group's judgements applied and inputs to the models, including:</p> <ul style="list-style-type: none"> • Discount rates applied to forecast cash flows, as each CGU displays unique conditions varying the assessment of discount rates • Future resource prices • Future foreign exchange rates • For the Water CGU, forecasting the probability of converting tender pipeline into contracted revenue • Future production/output, capital expenditure and operating costs. In particular, for the Metals CGU, the Group has not incurred any capital expenditure for production and has not yet commenced operations. Therefore future production/output, capital expenditure and operating costs are estimated based on the 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Working with our valuation specialists, we utilised their expertise in assessing discounted cash flow models in the mining and water treatment industries, including assessing a discount rate range for each CGU and comparing it to the discount rates used by the Group; • Testing the acceptability from a valuation perspective of the discounted cash flow models used to determine the recoverable amount for each CGU in comparison to common market practice and accounting standard requirements; • Performing sensitivity analysis in respect of the discount rates, future production/output, capital expenditure and operating costs, future resource prices, future foreign exchange rates. This allowed us to determine which inputs relative to the risk of impairment, had the most impact on the outcome of the models, and to focus our audit effort thereon; • Comparing future resource prices and foreign exchange rates used in the models to external market data, such as publicly available forecasts and consensus views of market commentators as well as historical information; • Reading a sample of tenders, memorandums of understanding and contracts to inform our view of the likelihood of the Water CGU tender pipeline being converted into contracted revenue; • For the Metals CGU, analysing the Group's determination of recoupment through successful development and exploitation of its reserves by

INDEPENDENT AUDITOR'S REPORT Continued



<p>Group's expertise/experience from other mining operations</p> <ul style="list-style-type: none"> Reserves, including the success of exploration, and appraisal activities, including drilling and geological and geophysical analysis. <p>In assessing this key audit matter, we involved senior audit team members, including valuation specialists, who understand the Group's business, industry and the economic environment it operates in.</p>	<p>evaluating the Group's planned future/continuing activities;</p> <ul style="list-style-type: none"> For the Metals CGU, we obtained the Group's project budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with current E&E expenditure, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding.
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Other Information

Other Information is financial and non-financial information in Clean TeQ Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, Remuneration Report, Chairman's Report and CEO's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT Continued



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Clean TeQ Holdings Limited for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in sections 1 to 4 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Tony Romeo

Partner

Melbourne

22 August 2019

SHAREHOLDER INFORMATION

For the year ended 30 June 2019

The information below is current as at 6 August 2019

DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders by size of holding of ordinary shares is:

Range	Total Holders	Units	% Units
1 to 1,000	899	512,572	0.07
1,001 to 5,000	2,068	6,062,185	0.81
5,001 to 10,000	1,226	10,048,500	1.35
10,001 to 100,000	2,548	86,027,880	11.52
100,001 and over	397	643,809,068	86.25
Rounding			0.00
Total	7,138	746,460,205	100.00
The number of shareholders holding less than a marketable parcel of shares	1,116	781,634	

The number of holders by size of holding of unquoted options over ordinary shares is:

Range	Total Holders	Units	% Units
1 to 1,000	0	0	0.00
1,001 to 5,000	0	0	0.00
5,001 to 10,000	0	0	0.00
10,001 to 100,000	1	75,000	0.83
100,001 and over	10	8,925,000	99.17
Rounding			0.00
Total	11	9,000,000	100.00

The number of holders by size of holding of unquoted performance rights is:

Range	Total Holders	Units	% Units
1 to 1,000	0	0	0.00
1,001 to 5,000	5	17,228	0.32
5,001 to 10,000	4	26,215	0.48
10,001 to 100,000	36	1,498,530	27.48
100,001 and over	14	3,910,270	71.72
Rounding			0.00
Total	59	5,452,243	100.00

SHAREHOLDER INFORMATION Continued

For the year ended 30 June 2019

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest security holders of fully paid ordinary shares as at 6 August 2019 are listed below:

Rank	Name of Share Holder	Number of Shares Held	% of Total Shares Issued
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	181,289,628	24.29
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	124,716,683	16.71
3	PENGXIN INTERNATIONAL GROUP LIMITED	92,518,888	12.39
4	CITICORP NOMINEES PTY LIMITED	32,177,579	4.31
5	THIERVILLE PTY LTD <THE STAR SUPER FUND A/C>	19,987,975	2.68
6	XUE INVESTMENTS PTY LIMITED <XUE FAMILY A/C>	10,328,927	1.38
7	MR GREGORY LEONARD TOLL + MRS MARGARET ESTELLE TOLL <TOLL S/F A/C>	9,500,000	1.27
8	CANADIAN REGISTER CONTROL	8,401,169	1.13
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	8,117,212	1.09
10	SAM RIGGALL	7,379,930	0.99
11	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	6,907,536	0.93
12	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	5,270,966	0.71
13	JEREMY'S HAVEN PTY LTD	4,690,310	0.63
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,018,910	0.54
15	MR DAVID NEVILLE COLBRAN	3,900,000	0.52
16	MAL CLARKE & ASSOCIATES PTY LTD <MAL CLARKE FAMILY A/C>	3,029,985	0.41
17	BNP PARIBAS NOMS PTY LTD <DRP>	2,923,682	0.39
18	SUNSHINE SUPERANNUATION PTY LTD <SCIENTIFIC & LAB P/L S/F A/C>	2,750,000	0.37
19	WALLOON SECURITIES PTY LTD	2,700,000	0.36
20	MR MAL CLARKE <MAL CLARKE & ASSOCIATES A/C>	2,021,260	0.27
Total – Top 20 holders of Ordinary Fully Paid Shares		532,630,640	71.35
Total – Shares Issued		746,460,205	100.00

SUBSTANTIAL HOLDERS

Substantial holders in the Company as detailed in the most recent public filings of Form 604 Notice of Change of Interests of Substantial Holder or Appendix 3Y Change of Director's Interest Notice are set out below. Percentage of total shares issued is based on the total shares on issue as at 30 June 2019 of 746,460,205.

Name of Share Holder	Ordinary Shares	
	Number held	% of total shares issued
Robert Martin Friedland	96,600,896	12.94%
Pengxin International Group Limited	92,518,888	12.39%
FMR LLC	58,489,117	7.84%
AustralianSuper Pty Ltd	46,953,204	6.29%

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

DIRECTORS

Robert Friedland (Co-Chairman and Non-Executive Director)

Jiang Zhaobai (Co-Chairman and Non-Executive Director)

Sam Riggall (Managing Director and CEO)

Stefanie Loader (Lead Independent Non-Executive Director)

Judith Downes (Independent Non-Executive Director)

Eric Finlayson (Non-Executive Director)

Ian Knight (Independent Non-Executive Director)

Michael Spreadborough (Independent Non-Executive Director)

Shawn Wang (Non-Executive Director)

COMPANY SECRETARY

Melanie Leydin

Leydin Freyer

Level 9, 96-100 Albert Road

South Melbourne, Victoria 3205

PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE

Unit 12, 21 Howleys Road

Notting Hill, Victoria, 3168

Telephone: +61 (03) 9797 6700

Facsimile: +61 (03) 9706 8344

SHARE REGISTER

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnson Street

Abbotsford, Victoria, 3067

Telephone: +61 (03) 9415 5000

Facsimile: +61 (03) 9473 2500

AUDITORS

KPMG

Tower Two, Collins Place

727 Collins Street

Melbourne, Victoria 3008

LEGAL ADVISORS

Baker & McKenzie

Level 19, 181 William Street

Melbourne, Victoria 3000

STOCK EXCHANGE LISTING

Clean TeQ Holdings Limited shares are listed on the Australian

Securities Exchange (ASX: CLQ) Toronto Stock Exchange

(TSX: CLQ), and OTCQX Market in the United States

(OTCQX: CTEQF)

WEBSITE

www.cleanteq.com

