



Clean TeQ Holdings Limited  
ABN 34 127 457 916

# **HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2020**

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# DIRECTORS' REPORT

FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2020

The directors present their report, together with the financial statements, on 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 half-year ended 31 December 2020, referred to hereafter as the 'financial half-year', and the auditor's review report thereon.

## Directors

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

Robert Friedland (Co-Chairman and Non-Executive Director)  
 Jiang Zhaobai (Co-Chairman and Non-Executive Director)  
 Sam Riggall (Managing Director and Chief Executive Officer)  
 Judith Downes (Non-Executive Director)  
 Eric Finlayson (Non-Executive Director)  
 Ian Knight (Non-Executive Director)  
 Stefanie Loader (Lead Independent Non-Executive Director)

## Principal activities

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

- > The ongoing development and use of the Clean-iX<sup>®</sup> resin technology for application in the extraction and purification of a range of resources in the mining industry including base metals, precious metals and rare earth elements and through the development of the Consolidated Entity's Clean TeQ Sunrise Project and other mineral exploration properties in New South Wales ('Metals Division'); and,
- > The ongoing development and commercialisation of the Company's proprietary Continuous Ionic Filtration ('CIF<sup>®</sup>') resin technologies and associated technology products and processes for application in the purification and recycling of industrial, municipal and mining waste waters ('Water Division').

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

## Dividends

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

## Review of Operations

The loss after tax for the Consolidated Entity amounted to \$10,131,000 (31 December 2019: loss after tax of \$10,280,000).

During the financial half-year, the Consolidated Entity's revenue from continuing operations increased to \$1,557,000 (31 December 2019: \$666,000) primarily due to increases in contract income from Water Projects brought to account in the financial half-year.

The continuing development of the Clean TeQ Sunrise Project, and the Consolidated Entity pursuing its Technology and Water Projects, resulted in an \$11,578,000 net cash outflow from operating activities during the financial half-year (31 December 2019: net inflow \$3,691,000). This net cash outflow from operating activities was financed largely from existing cash reserves and from the proceeds of new shares issued in November 2020.

The Consolidated Entity's net assets increased during the financial half-year by \$6,598,000 to \$48,682,000 (30 June 2020: \$42,084,000). Working capital, being current assets less current liabilities, amounts to a surplus of \$44,737,000 (30 June 2020: \$37,894,000 surplus), with cash reserves increasing from \$40,083,000 to \$44,030,000 during the financial half-year.

## DIRECTORS' REPORT CONTINUED

**Metals Division**

During the financial half-year, the Consolidated Entity continued to progress the development of the Clean TeQ Sunrise Nickel-Cobalt-Scandium Project ('Sunrise' or 'Project') and its portfolio of exploration tenements.

**Sunrise Project Works**

During the financial half year, the Consolidated Entity completed a Project Execution Plan ('PEP') in conjunction with Fluor Australia Pty Ltd ('Fluor'), part of the Fluor global engineering group headquartered in Irving, Texas.

Undertaken by a project delivery and engineering team combined of Fluor employees and employees from the Consolidated Entity, the PEP updated the 2018 Definitive Feasibility Study ('DFS'), incorporating revised cost estimates, design and engineering work to date, as well as a revised master schedule for the engineering, procurement, construction, commissioning and ramp-up of the Project. The PEP outcomes confirm Sunrise's status as one of the world's lowest cost, development-ready sources of critical electric vehicle ('EV') battery materials. In production it will be a major supplier of nickel and cobalt to the lithium-ion battery market, and scandium to the aerospace, consumer electronics and automotive sectors.

Highlights<sup>1</sup> of the PEP include:

- > The PEP results have been finalised at a time of encouragingly strong market demand for EVs, particularly in Europe, as new EU emissions standards take effect and carmakers begin to focus on the environmental and social aspects of supply chains. Despite significant economic uncertainty created by COVID-19, global electric vehicle sales surged during the financial half-year and are, again, back to a healthy growth trajectory.
- > The PEP modelled the first 25 years of production, with sufficient ore reserves to extend operations up to approximately 50 years.
- > Long-term nickel and cobalt sulphate price forecasts were obtained from independent expert Benchmark Mineral Intelligence. Weighted average forecast (metal equivalent) sulphate prices over the life of mine are approximately:
  - Nickel: US\$24,200/t (including sulphate premium); and
  - Cobalt: US\$59,200/t.
- > The PEP scope of works included a range of studies which have optimised metal production rates while holding autoclave ore feed constant at the approved maximum 2.5 million tonnes per annum. Average annual (metal equivalent) production rates are:
  - 21,293 tonnes nickel and 4,366 tonnes cobalt (Year 2-11); and
  - 8,439 tonnes nickel and 3,179 tonnes cobalt (Year 2-25).
- > The Project is forecast to deliver over US\$16 billion in revenue and average annual (real) post-tax free cashflow of US\$308 million over the first 25 years of operations.
- > Strong cash flows result in a post-tax net present value<sup>2</sup> ('NPV') of US\$1.21 billion (A\$1.72 billion<sup>3</sup>) and post-tax Internal Rate of Return ('IRR') of 15.44%.
- > High cobalt credits result in very low average C1 operating costs of negative US\$1.97/lb of nickel after by-product credits (US\$4.31/lb nickel before credits) in years 2-11.
- > Average C1 operating costs of negative US\$0.80/lb nickel after by-product credits (US\$4.58/lb nickel before credits) over years 2-25, positioning the Project to generate high margins and strong cash flows over many decades.
- > Consistent with the Consolidated Entity's strategy of facilitating wider-scale adoption in key emerging markets (such as high-performance aluminium alloys), the Consolidated Entity has adopted a long-term scandium oxide price assumption of US\$1500/kg in the PEP.

1. For full details see ASX announcement dated 28 September 2020.  
 2. Ungeared net present value calculated using real 8% discount rate.  
 3. AUD/USD 0.70 exchange rate applied for life of mine.

- > Scandium oxide refining capacity of up to 20 tonnes per year installed from year three, which can be readily expanded to 80 tonnes per year with approximately A\$25 million capital expenditure on additional refining capacity. As the scandium market grows, future investment in a dedicated resin-in-pulp scandium extraction circuit and further refining capacity offers the potential to increase by-product scandium production to up to approximately 150 tonnes per annum.
- > The PEP conservatively ramps up scandium oxide sales from 2 to 20 tonnes per year over the first decade of the mine life. The Consolidated Entity has secured existing offtake heads of agreement with companies including Panasonic Corporation Global Procurement Company and Relativity Space, Inc. and programs underway with a range of additional parties to develop new light-weight aluminum scandium alloys for the aerospace, additive layer manufacturing, consumer electronics and automotive sectors.
- > Pre-production capital cost estimate of US\$1.658 billion (A\$2.368 billion) (excluding US\$168 million estimated contingency) reflects a significantly de-risked capital cost, with approximately 79% of total equipment and materials costs covered by vendor quotations. Submissions were also obtained from contractors to validate the labour costs included in the total direct cost.
- > Future value optimization studies will assess opportunities to reduce capex in areas of off-site pre-assembly, modularization and low-cost offshore procurement.
- > The PEP assumed Project execution on an engineering, procurement, construction management ('EPCM') basis. Prior to making a final investment decision ('FID'), the Consolidated Entity will select an EPCM contractor for the engineering, procurement and construction phase of the Project.
- > Engineering, procurement and construction schedule from signing of an EPCM contract to first production of approximately three years, followed by a 24-month ramp-up to full production.

A range of work-streams are underway in order to progress a number of value-adding deliverables aimed at minimising Project restart time once funding is secured:

- > Work is being progressed on the long-lead electrical transmission line ('ETL') work scope. The ETL application to connect to the NSW electrical grid is currently in progress and will continue through CY2021.
- > Progressing ongoing commercial discussions with landowners, local councils, the NSW state government and other impacted parties required for land access agreements for key infrastructure including the water pipeline and the ETL.
- > Surveying and planning for autoclave and oversize equipment transport routes to site.
- > Preliminary investigations to be undertaken on the Company's exploration licences for limestone resources, a key process reagent for which the Company currently has a supply contract in place with a third party.
- > Testwork and process development work assessing opportunities for potential further downstream processing of sulphates into battery precursor materials.
- > Ongoing environmental work including monitoring and compliance reporting.
- > The Sunrise Community Consultative Committee will be continued as a stakeholder forum, along with a number of local community engagement/support programs.
- > Progressing an application for a modification to the Sunrise project Development Consent that covers some enhancements and changes made during the Sunrise Project Execution Plan work.
- > A range of scandium alloy development programs will continue to be progressed, consistent with Clean TeQ's long term strategy to work with, and assist, industry players to investigate and develop new applications for scandium-aluminium alloys.

## DIRECTORS' REPORT CONTINUED

## Sunrise Renewable Energy

Throughout CY2020 a joint study was undertaken with AGL Energy Limited (ASX:AGL), the owner of Australia's largest portfolio of electricity generation assets, to identify several alternatives for the delivery of renewable energy to Sunrise. In January 2021 the Company announced the completion of this study confirming the availability and cost of renewable energy to supply 100% of the external power requirements for the Sunrise Project. Transformative in its impact, the proposal eliminates approximately one-third of the project's total carbon emissions and positions Sunrise as one of the world's largest battery metals producers, designed to run on 100% renewable power.

Over the first 25 years of operation, the change is estimated to reduce carbon dioxide emissions by 4.6 million tonnes, equivalent to taking over 1 million internal combustion engine cars off the road for a year. It will also lower Sunrise's estimated carbon intensity to 12kg CO<sub>2</sub>e/kg Ni (in nickel sulphate), giving it one of the lowest carbon footprints for battery-grade nickel production in the world.

The capital and operating cost estimates contained in the Sunrise Project PEP assumed Sunrise would purchase supplemental energy directly from the NSW grid. This entailed construction of a longer electrical transmission line from site to the regional centre of Parkes. This cost is included in the PEP capital cost estimate and it remains an important enabler for providing options for renewable power supply. Accordingly, there is no capital cost impact from adopting 100% renewable electricity supply, when compared with the base case PEP cost assumptions.

For operating costs, the proposed renewable energy tariffs have no material impact on post-tax cashflow or the project's net present value, highlighting just how competitive renewable power options have become compared to conventional grid supply. The study confirms the credentials of the Sunrise Project as one of the lowest-cost and most sustainable sources of critical battery cathode materials for the EV industry.

## Sunrise Downstream Studies

During the financial half-year the Clean TeQ Technology and Innovation Team progressed a number of studies to assess potential opportunities for further downstream processing at the Sunrise Project site including production of EV battery precursor cathode active material ('PCAM') and cathode active material ('CAM'). The objective of these scoping level studies is to demonstrate the suitability, and assess the approximate cost, of processing of the Sunrise nickel and cobalt outputs into downstream products in the EV battery supply chain.

During the quarter the Clean TeQ Technology and Innovation Team produced a batch of PCAM from samples of Sunrise nickel/cobalt sulphate solution. The outcomes of the study estimated that significant PCAM production cost savings were potentially achievable with a modest (~\$200 million) investment in a PCAM manufacturing plant at Sunrise.

The team has also been working with the Queensland University of Technology ('QUT') on PCAM precipitation and lithium-ion battery fabrication and testing. During the quarter QUT produced a prototype lithium-ion battery NMC 622 coin cell battery from Clean TeQ's batch of PCAM. Preliminary results indicated that the measured capacity on the NMC 622 coin cell was comparable to the performance of commercial NMC 622 cells. Characterisation of the PCAM and CAM materials showed that the expected properties were also achieved (Nickel(II) hydroxide crystal structure, particle and aggregate size and shape).

By demonstrating the potential for further downstream processing on site at Sunrise, the Company's aim is to show potential funding partners that options exist for enhanced supply chain integration at the mine site in order to minimise processing and transportation costs, as well as providing for more efficient and environmentally friendly management of the supply chain's mining/metal processing waste streams.

## Funding and Development

COVID-19 has presented difficult conditions for financial markets and challenges for funding new projects. Pleasingly, though, engagement with the automotive and mining sectors on Sunrise remains on-going, despite these challenges. While the timing for completion of a transaction is not possible to forecast, Clean TeQ will continue to engage with potential partners across the supply chain.

## Phoenix Platinum Zone

During the financial half-year, the Consolidated Entity announced that an area of high-grade platinum mineralisation has been defined within the Sunrise laterite resource based on downhole intersections from earlier drilling campaigns, forming a newly-classified Phoenix Platinum Zone.

The Sunrise laterite hosts a significant resource<sup>4</sup> of 103.1 Mt @ 0.33 g/t Pt for 1,076,170 ounces of platinum, using a 0.15 g/t Pt cut-off grade, making it one of the largest platinum resources in Australia. Of this total resource, approximately 90% (metal content) is in the measured and indicated categories. While the average grade over the global resource is relatively low, areas of significantly higher-grade platinum mineralisation exist within the resource envelope – the Phoenix Platinum Zone.

The Sunrise Project is located approximately 5km northwest of Fifield, at the eastern end of an intrusion known as the Tout Intrusive Complex. The core of the intrusive body is a dunitic, olivine-rich igneous rock of ultramafic composition, exhibiting a coarse grained texture and surrounded by pyroxenite and gabbro. The surface expression of this magmatic system is a nickel-cobalt-scandium bearing laterite that forms the existing ore reserve for the Sunrise Project. The laterite is the product of weathering and decomposition of one or more dunite pipes, resulting in the gradual concentration of metals near surface.

Despite extensive drilling over previous decades, only a handful of holes have been drilled beneath the Sunrise laterite. Given the high platinum grades near surface and historic intercepts beneath the laterite, a program of work has commenced to test the structural geology of the Tout Intrusive Complex, targeting the establishment of a platinum resource that will either integrate with the development of the Sunrise nickel-cobalt-scandium mine, or be developed as a stand-alone operation.

During the quarter the Company progressed this program of work including completing the first three of a planned six-hole diamond core drill program. The program is aiming to intersect the dunite structures at depth (targeting 400-600m below surface) which are proposed to be the source of the platinum in the Sunrise laterite. Assay results from first three holes are expected in the first quarter of CY2021.

## Minore Project

In April 2020 the Consolidated Entity was granted Exploration Licence 8961 (*Mining Act 1992*) for Group One (1) metals (including base and precious metals) located near Dubbo and Narromine. Clean TeQ has also applied for an adjacent area subject to the existing Dubbo Mineral Allocation Area ('MAA'). The MAA system is a mineral exploration stimulus initiative by the NSW Government pursuant to which new exploration licence applications may not be lodged without Ministerial consent. The area is prospective primarily for copper/gold porphyry targets. During the financial half-year, the Consolidated Entity received Ministerial consent for grant of the MAA area. That area is now the subject of a pending exploration licence application.

The tenement overlies what is interpreted to be Macquarie Arc Ordovician sequences and the St Andrews Beds in the Minore township. At Minore the sediments have been intruded and metamorphosed by the Devonian Yeoval Granite. Magnetite, copper, zinc, tungsten and trace lead mineralisation are known to occur at the prospect from work undertaken by CRA Exploration in the 1970's.

The area has been subject to limited mineral exploration, but there have been a number of shallow historic exploration drilling intercepts, largely drilled by CRA Exploration. The drilling targeted an outcropping north-west striking skarn, known as Minore, which exhibited boxwork structures and manganese in outcrop and magnetite, garnets, sulphides and epidote in fresher rock. The units dip moderately to the north-east where further structures of interest are noted from unprocessed Total Magnetic Intensity geophysical images. Reverse circulation drilling has intercepted anomalous copper, lead, zinc and tungsten intercepts, up to 3700ppm copper and 7m averaging 2000ppm copper from RC drilling. This drilling was followed up by 3 deeper (180m) diamond drill holes downdip of the anomalies. Two of these holes also intercepted similar anomalies.

The host rocks have been logged as metamorphosed green quartzite, fine-grained grey laminated quartzite, quartzite and garnet (calc-silicate) hornfels, microgranite and fine grained acid volcanics. Magnetite is closely associated with the garnet hornfels. The skarn is thought to have a strike extent of at least 1km.

Historic CRA diamond drill core is held at the Londonderry core library in NSW where Hylogger multispectral scans have recently been run on the core. Clean TeQ's geologists will further interpret this data while Southern Geoscience re-processes and interprets existing geophysical data over the area to better understand mineralisation target opportunities.

4. For full details see ASX announcement dated 25 June 2018.

## DIRECTORS' REPORT CONTINUED

**Water Division**

During the financial half-year Clean TeQ's Water Division was focused on completing key water purification projects in Australia and the DRC as well as pursuing new opportunities for revenue growth.

The Water Division also maintained an active program of research and development into complimentary water purification technologies with a view to expanding and enhancing the Consolidated Entity's product offering in the water purification industry.

**Water Projects**

During the financial half-year the Company announced successful achievement of formal completion and handover of a ground-breaking Continuous Ion Exchange Desalination ('DESALX®') plant at the Fosterville Gold Mine owned by Kirkland Lake Gold Ltd. (TSX/NYSE: KL & ASX: KLA).

At the Fosterville Gold Mine in Victoria, Australia, Clean TeQ was engaged to design, supply and commission a two 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.

The plant construction was completed in late CY2019, with commissioning and operations commencing in early 2020. During the financial half-year the Clean TeQ designed and constructed plant passed the performance tests specified in the engineering, procurement and construction contract and the customer has issued a formal notice of acceptance and completion.

At Fosterville, the equipment provided by Clean TeQ includes a precipitation package to remove antimony and arsenic. The effluent from the clarifiers is treated by the DESALX® plant to remove Sulphate, Calcium, and Magnesium with gypsum as the only by-product. The DESALX® effluent is then further treated by reverse osmosis to produce water for re-use. The Clean TeQ system is a key enabling component of the customer's overall water management strategy which includes a medium-term target of creating a true 'zero liquid discharge' solution that does not produce any saline brine and includes aquifer reinjection.

In the DRC, Clean TeQ has been engaged to design and construct a Continuous Resin-In-Column ('cLX') Ion Exchange plant 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. All construction was completed during CY2019 with hot commissioning commencing shortly thereafter. Initial tests showed that the cLX plant was performing well, exceeding design expectations. However, an accidental uncontrolled release 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. Repairs, as well as some other changes to the plant and process, are now complete. A restart of the plant was targeted for June 2020, with performance testing of the cLX system to follow thereafter, but this timing is now highly uncertain given COVID-19 restrictions. Re-commissioning is expected to take around eight weeks once it commences.

The successful delivery and commissioning of these plants provides strong demonstration of the efficacy of Clean TeQ's 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 now rapidly grow Clean TeQ Water.

In January 2021 the Company announced the award of two additional water purification contracts in Queensland and Oman.

Clean TeQ has won a competitive tender and been awarded a contract which is valued at over \$2,000,000 by Mackay Regional Council for the upgrade of a bore water treatment plant at Koumala, near Mackay in Queensland.

Clean TeQ will design, supply, and install an ion exchange treatment plant plus a package gas chlorination system to remove hardness and lower the salinity of an existing bore water supply to reduce the scaling of pipes and improve taste for use in the potable water supply of Koumala, Queensland. Clean TeQ will manage the full design, procurement, construction and commissioning of the plant including subcontracting of civil works. The program of works is scheduled to commence in the first quarter of CY2021 and run through to the end of the year.



In late CY2019 Clean TeQ announced the successful customer acceptance of commissioning and handover of a ground-breaking Continuous Ionic Filtration ('CIF®') plant in Oman. Clean TeQ was engaged by Multotec, the Company's sales and delivery partner in Africa, under a design, procure and construct contract to deliver a waste water treatment system at an antimony processing facility in Oman. The Clean TeQ designed and supplied water treatment plant comprises the Company's DESALX® (two-stage CIF®) technology, chemical precipitation and reverse osmosis to recycle process water for re-use on site. The water treatment plant is designed to remove a range of deleterious elements from up to 200 tons of waste water per day.

Clean TeQ has been awarded a contract to undertake the detailed design for an upgrade of this water treatment plant. Changes in the upstream antimony processing facility have resulted in a higher salt load and increased arsenic, antimony and selenium concentrations in the waste water. The upgrade will focus on neutralising the waste liquors and precipitating contaminants for easier recovery, as well as upgrading the existing ion exchange circuit using Clean TeQ's CIF® technology and adding additional pre-treatment for the reverse osmosis plant in order to maximise recovery and generate reduced brine for disposal. Being appointed to undertake the detailed design means Clean TeQ is well placed to ultimately be appointed to undertake the upgrade works if they are to proceed.

Clean TeQ Water has been advised that it is the preferred contractor to deliver a recycled water re-use plant at the Cleveland Bay Purification Plant in Townsville, however, award of a final EPC contract is subject to a range of conditions including agreement on commercial terms, construction schedule and pricing. While the EPC contract discussions are ongoing, Townsville Council engaged Clean TeQ on an initial scope of work valued at A\$920,000 for detailed design and procurement of long-lead items for the plant. This work was completed in CY2020. Although contract negotiations remain ongoing, Townsville Council has delayed the award of the contract and commencement of works due to COVID19 related council budgetary issues. Based on the latest feedback from Townsville, the Company anticipates that the majority of the EPC works will now not commence until July 2021 at the earliest.

## **BIOCLENS**

In CY2018, Clean TeQ acquired an encapsulated bacteria technology comprising technology licences and a production plant for the manufacture of bacteria encapsulated in a polyvinyl alcohol ('PVA') lens ('BIOCLENS'). BIOCLENS offers significant opportunities in water treatment applications given the bacteria's ability to break down and remove over ninety percent of harmful nitrates and ammonia from wastewater. BIOCLENS, with encapsulated bacteria or enzymes, also has potential applications in the food and pharmaceuticals industries.

The bacteria are encapsulated in a plastic polymer in the shape of a lens. The lens shape and size are important as they ensure maximum biological activity while protecting the biology from potentially harmful environmental conditions.

In conventional biological purification processes, the salinity of the water suppresses the activity of the bacteria and limits its ability to remove ammonia and nitrate to the desirable levels for recycling. The BIOCLENS technology is highly amenable for application in the aquaculture sector because the polymer lens protects the bacteria to maintain high biological activity in this saline environment.

The Company has established the BIOCLENS production facility in China for its growing pipeline of potential water purification projects. Having completed the transportation and installation of the lens manufacturing equipment to a facility in Tianjin, trial production runs started in the third quarter of CY2019. Stable output at consistent quality from continuous operation was achieved in the second quarter of CY2020.

During the financial half-year the Company announced the successful completion of a nitrate removal trial in China for Tianjin Xinda Environmental Protection Company ('Xinda'). Xinda is a waste water treatment company with fifteen plants located throughout Tianjin municipality, an area containing the fourth largest urban population in China.

The aim of the trial was to demonstrate the cost effectiveness of Clean TeQ's BIONEX system to reduce nitrate levels in wastewater in order to meet China's increasingly strict waste water disposal regulations. Successful completion of this trial is important because it provides Clean TeQ with independently verified confirmation of the efficacy of the BIONEX technology in the very large Chinese nitrate removal market.

## DIRECTORS' REPORT CONTINUED

Nitrate water pollution is a major problem throughout the world. Elevated nitrate levels in waste water can lead to eutrophication of natural water bodies which causes algal blooms which severely harm water quality. Nitrate in drinking water has also been linked to Infant Methemoglobinemia (blue baby syndrome) and increasingly to various forms of cancer. For that reason, there are strict nitrate limits for wastewater treatment plants throughout the world.

Traditional nitrate removal plants use bacteria to break down nitrates in waste waters. These biological systems are typically suitable for removing high concentrations of nitrate but are often not able to meet the strictest (<5 ppm) nitrate effluent concentrations which are required for disposal of water into sensitive environments including certain rivers, lakes and drinking water catchments. This challenge is even greater during colder weather months when bacteria are less active.

Clean TeQ's BIONEX system utilises ion exchange resins to extract nitrate from waste water streams into a highly concentrated, nitrogen-rich brine product. This brine is then treated with our BIOCLENS encapsulated bacteria technology which converts the nitrate into harmless nitrogen gas. The flow rate of the concentrated brine product stream is typically only around two percent of the main flow, delivering substantial water treatment cost-savings.

Clean TeQ's BIOCLENS technology – bacteria encapsulated in PVA lenses – offers significant advantages in water treatment applications given bacteria's ability to break down and remove very high proportions of harmful nitrates and ammonia from wastewater. The bacteria are encapsulated in a PVA polymer in the shape of a lens. Lens shape and size are critically important as they ensure maximum biological activity while protecting the bacteria from potentially harmful environmental conditions. BIOCLENS also has promising applications in the food and pharmaceuticals industries.

During the demonstration plant trial in Tianjin, our BIONEX system was used to treat 95m<sup>3</sup>/day of effluent from a wastewater treatment plant by consistently reducing the influent nitrate concentration from 30 ppm down to 0 ppm. Using BIOCLENS to treat the brine confirmed that no nitrate would need to be discharged to the environment.

With this trial Clean TeQ has demonstrated that BIONEX can eliminate nitrate at very low cost (below A\$0.20/m<sup>3</sup> for this application, and even less for removal of nitrate in lower concentrations) while significantly reducing waste (brine) production. The BIOCLENS lenses used in the process are manufactured by Clean TeQ in our 100% owned factory in Tianjin.

Clean TeQ is actively promoting the BIONEX and BIOCLENS technology with two further demonstration trials which are scheduled to commence in China over the coming weeks (in aquaculture and another municipal project). The Company is also negotiating with several parties who are interested in projects for large scale implementation. Clean TeQ is also working with partners in the US to introduce our BIONEX technology for removal of nitrate from ground water sources of drinking water.

The BIOCLENS technology is also an important water purification process in the proposed Townsville Project where it is employed to reduce the nitrogen load of the wastewater effluent discharged from the facility.

Combined with Clean TeQ's proprietary ion exchange capability, the addition of BIOCLENS technology allows Clean TeQ Water to provide a broad suite of solutions to the global water treatment market that are focused on cost-effectiveness, performance and sustainability.

### **NematiQ Joint Venture**

In late CY2018, Clean TeQ and Ionic Industries established a joint venture company NematiQ Pty Ltd ('NematiQ') to pursue in partnership the development of graphene oxide ('GO') membranes for water treatment applications. Clean TeQ and Ionic have developed a process to manufacture high-purity GO that can be applied to a membrane support to create a graphene nanofiltration membrane ('GO-Membrane'). Significantly, the GO-Membrane manufacturing process has been demonstrated on commercial scale industrial equipment.

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. The benefits of graphene oxide nanofiltration membranes when compared to conventional nanofiltration membranes include higher flux (flow rates) and lower propensity to fouling. These benefits have the potential to deliver lower operating costs, longer membrane life and lower maintenance costs.

NematiQ has established a factory and office premises in Notting Hill, adjacent to the existing Clean TeQ head office and laboratory. 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 GO-Membrane. A pilot 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 development of the membrane has now progressed to a stage where we have produced at pilot scale a graphene oxide-based membrane with a molecular weight cutoff of 1,000 Daltons (commercial target molecular weight for nanofiltration) and with a flux rate that is superior to the currently available polymer based nanofiltration membranes. The work completed during the quarter has resulted in the production of an improved graphene oxide ink and the use of the ink in an industrially produced GO-Membrane product.

GO-Membrane printing trials were undertaken during CY2020 using a specialised commercial printing press in the USA. The trials confirmed that a GO-Membrane, meeting flux and molecular weight cut-off targets, can be produced on commercial equipment at economic printing speeds. The work programs currently underway are aimed at:

- > eliminating intermittent membrane defects by improving the GO-Membrane robustness;
- > enhancing the durability and performance of the membrane in chemical conditions typically encountered in a number of different proposed applications, including enhancing chlorine resistance; and,
- > reducing the cost of the base membrane on which the GO-Membrane is supported.

The applications for GO-Membranes are numerous and include many large-scale market segments such as removal of organics from drinking water and from wastewater effluents along with more niche markets in value-added industries such as food and pharmaceutical.

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

## **De-listing from the TSX**

The Company announced during the financial half-year that it had applied for a voluntary de-listing of its ordinary shares from trading on the Toronto Stock Exchange ('TSX'). The Company's shares were de-listed and ceased trading on the TSX on 5 November 2020. The Canadian sub-register was closed and replacement ASX listed shares issued to all TSX shareholders (or their custodian/brokers on their behalf) on 9 December 2020.

## **De-merger of Water Division**

In September 2020, the Company announced that it is considering a separation of its water division from the remainder of its business, comprising the Sunrise Project and the Company's other mineral exploration activities in New South Wales.

Establishing stand-alone, separately listed, entities will allow shareholders to more readily manage their own desired exposure to each of the businesses, as well as simplifying the investment proposition to new investors. In the case of Sunrise, it also provides an opportunity to pursue investment and funding structures within a corporate vehicle comprising an asset suite focused exclusively on battery materials.

The Company has commenced a formal review of a potential demerger, for consideration by the Board, which will provide a recommendation to shareholders in due course. The review will consider taxation, structuring and other regulatory implications.

Preliminary advice indicates that any demerger is likely to be optimised by undertaking a spin out of the Water Business into a new entity ('Newco') by way of a capital return comprising a pro-rata in-specie distribution of shares in Newco to Clean TeQ shareholders. The Company is progressing the review which is expected to conclude in the first quarter of CY2021.

## DIRECTORS' REPORT CONTINUED

## Equity Capital Raising

In November 2020, the Consolidated Entity announced that it had agreed a private placement totalling 63,900,000 fully paid ordinary shares at an issue price of \$0.25 per share ('Placement Price') to raise proceeds of \$15,975,000 ('Placement') with a group of institutional and sophisticated investors. Settlement of the Placement occurred in November and December 2020.

The Company also announced that Co-Chairman Mr Robert Friedland, and Pengxin International Group Limited, an entity associated with Mr Jiang Zhaobai, Co-Chairman and Non-Executive Director of the Company, had each subscribed for 12,000,000 shares at the Placement Price for total proceeds of \$6,000,000 ('Conditional Placement'). As Mr Friedland and Mr Jiang are directors of the Company, the Conditional Placement was subject to shareholder approval at a meeting of shareholders which was held on 8 January 2021. The Conditional Placement was approved and settled in January 2021.

The Consolidated Entity also announced in November 2020 that it was conducting a Share Purchase Plan for eligible shareholders to apply for shares at A\$0.25 per share ('SPP'). The SPP was closed in January 2021 and raised total proceeds of \$12,895,000.

Together, the SPP, the Placement and the Conditional Placement represent a total equity raising of approximately A\$35,000,000. The proceeds raised are to be used as follows:

- > Funding for the ongoing development and growth of our water purification business, including provision of initial working capital for its proposed spin out into a new stand-alone entity;
- > Progressing our work in the research and development of graphene oxide membranes as part of the NematIQ joint venture;
- > Permitting, land access, environmental monitoring and long-lead activities at our Sunrise Battery Materials Complex, while we continue to pursue a financing package for the project;
- > Mineral exploration activities at our suite of tenements including the Phoenix Platinum Zone beneath the Sunrise laterite and the Minore Project near Dubbo, NSW; and,
- > General corporate and working capital.

## Investment in NematIQ Joint Venture

Clean TeQ and Ionic Industries established NematIQ as a joint venture company to pursue in partnership the development of graphene oxide membranes for water treatment applications. Ionic and the Company fund NematIQ's activities through periodic cash calls provided as shareholder loans. Under the terms of the NematIQ joint venture agreement, if a party fails to fund a cash call, then the other party may fund the resulting shortfall as either a senior loan or an equity placement at a pre-agreed price.

During the financial half-year Clean TeQ funded a \$65,000 shortfall by way of equity placement in NematIQ at \$1 per share. As a result of the equity placement, the ownership of NematIQ is now approximately 83.2% Clean TeQ and 16.8% Ionic Industries.

## Significant changes in the state of affairs

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

## **Matters subsequent to the end of the financial half-year**

On 13 January 2021 Clean TeQ issued 12,000,000 fully paid ordinary shares to each of Mr Robert Friedland, Co-Chairman and Non-Executive Director of the Company, and Pengxin International Group Limited, an entity associated with Mr Jiang Zhaobai, Co-Chairman and Non-Executive Director of the Company, at \$0.25 per share to raise total proceeds of \$6,000,000.

On 19 January 2021 the Company issued 51,581,253 fully paid ordinary shares at \$0.25 per share to raise total proceeds of \$12,895,000 pursuant to the SPP announced in November 2020.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

## **Rounding of amounts**

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## **Lead auditor's independence declaration**

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12 and forms part of the directors' report for the financial half-year ended 31 December 2020.

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 and Chief Executive Officer

25 February 2021  
Melbourne

# LEAD AUDITOR'S INDEPENDENCE DECLARATION

FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2020



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

To the Directors of Clean TeQ Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Clean TeQ Holdings Limited for the half-year ended 31 December 2020 there have been:

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

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

KPMG

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

Tony Romeo

*Partner*

Melbourne

25 February 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Consolidated	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue and other income	4	1,557	666
Interest Income		101	645
<b>Expenses</b>			
Raw materials and other direct costs		(274)	(244)
Employee benefits expenses	5	(5,282)	(5,941)
Depreciation and amortisation expenses		(750)	(656)
Legal and professional expenses		(2,307)	(1,071)
Occupancy expenses		(969)	(468)
Marketing expenses		(335)	(301)
Research and Development Test-work		(480)	(537)
Travel		(42)	(554)
Write down of unrecoverable assets		–	(971)
Other expenses		(1,316)	(819)
Finance costs		(34)	(29)
<b>Loss before income tax benefit</b>		<b>(10,131)</b>	<b>(10,280)</b>
Income tax benefit		–	–
<b>Loss after income tax benefit for the half-year</b>		<b>(10,131)</b>	<b>(10,280)</b>
Loss after income tax benefit for the half-year is attributable to:			
Owners of the company		(10,039)	(10,113)
Non-controlling interests		(92)	(167)
		<b>(10,131)</b>	<b>(10,280)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		–	–
Other comprehensive income for the half-year, net of tax		–	–
<b>Total comprehensive income for the half-year</b>		<b>(10,131)</b>	<b>(10,280)</b>
Total comprehensive income for the half-year is attributable to:			
Owners of the company		(10,039)	(10,113)
Non-controlling interests		(92)	(167)
		<b>(10,131)</b>	<b>(10,280)</b>

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2020

	Consolidated	
	31 Dec 2020 Cents	31 Dec 2019 Cents
<b>Loss per share from continuing operations attributable to the owners of Clean TeQ Holdings Limited</b>		
Basic loss per share	(1.33)	(1.35)
Diluted loss per share	(1.33)	(1.35)
<b>Loss per share attributable to the owners of Clean TeQ Holdings Limited</b>		
Basic loss per share	(1.33)	(1.35)
Diluted loss per share	(1.33)	(1.35)

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



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Consolidated	
		31 Dec 2020 \$'000	30 June 2020 \$'000
<b>Current assets</b>			
Cash and cash equivalents		44,030	40,083
Trade and other receivables		2,984	1,847
Research and development incentive receivable		1,319	1,155
Other financial assets		235	235
<b>Total current assets</b>		<b>48,568</b>	<b>43,320</b>
<b>Non-current assets</b>			
Other financial assets		146	146
Investment in equity accounted investee		310	310
Lease assets		552	1,005
Property, plant and equipment		858	917
Intangibles	6	3,336	3,535
<b>Total non-current assets</b>		<b>5,202</b>	<b>5,913</b>
<b>Total assets</b>		<b>53,770</b>	<b>49,233</b>
<b>Current liabilities</b>			
Trade and other payables		2,255	2,767
Employee benefits		526	665
Deferred revenue		23	967
Lease liabilities		360	360
Provisions		667	667
<b>Total current liabilities</b>		<b>3,831</b>	<b>5,426</b>
<b>Non-current liabilities</b>			
Employee benefits		122	123
Deferred revenue		402	402
Lease liabilities		183	651
Provisions		210	207
Shareholder loans		340	340
<b>Total non-current liabilities</b>		<b>1,257</b>	<b>1,723</b>
<b>Total liabilities</b>		<b>5,088</b>	<b>7,149</b>
<b>Net assets</b>		<b>48,682</b>	<b>42,084</b>
<b>Equity</b>			
Issued capital	7	305,593	289,637
Reserves	8	17,608	16,835
Accumulated losses		(274,141)	(264,102)
Non-Controlling Interest		(378)	(286)
<b>Total equity</b>		<b>48,682</b>	<b>42,084</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2020

Consolidated	Contributed Equity \$'000	Accumulated Losses \$'000	Reserves \$'000	Non-Controlling Interests \$'000	Total Equity \$'000
Balance at 1 July 2019	289,637	(66,550)	14,481	(92)	237,476
Adjustment on adoption of AASB 16	–	(72)	–	–	(72)
Loss after income tax benefit for the financial half-year	–	(10,113)	–	(167)	(10,280)
Total comprehensive income for the financial half-year	–	(10,185)	–	(167)	(10,352)
<i>Transactions with owners in their capacity as owners:</i>					
Equity contributions, net of transaction costs	–	–	–	–	–
Share-based payments (note 11)	–	–	1,344	–	1,344
Total contribution and distribution:	–	–	1,344	–	1,344
Total transactions with owners of the Company	–	–	–	–	–
Balance at 31 December 2019	289,637	(76,735)	15,825	(259)	228,468
Balance at 1 July 2020	289,637	(264,102)	16,835	(286)	42,084
Loss after income tax benefit for the financial half-year	–	(10,039)	–	(92)	(10,131)
Total comprehensive income for the financial half-year	–	(10,039)	–	(92)	(10,131)
<i>Transactions with owners in their capacity as owners:</i>					
Equity contributions, net of transaction costs	15,956	–	–	–	15,956
Share-based payments (note 11)	–	–	773	–	773
Total contribution and distribution:	15,956	–	773	–	16,729
Total transactions with owners of the Company	–	–	–	–	–
Balance at 31 December 2020	305,593	(274,141)	17,608	(378)	48,682

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2020

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	555	429
Payments to suppliers and employees (inclusive of GST)	(12,247)	(11,991)
Cash used in operating activities	(11,692)	(11,562)
Research and development tax incentive received	–	14,549
Interest received	114	704
Net cash from/(used in) operating activities	(11,578)	3,691
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(39)	(40)
Proceeds from sale of property, plant and equipment	16	–
Payments of principal for rental leases	(408)	–
Payments for exploration and evaluation assets	–	(24,645)
Net cash used in investing activities	(431)	(24,685)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares, net of issuance costs	15,956	–
Proceeds from shareholder loans	–	76
Net cash from financing activities	15,956	76
Net increase/(decrease) in cash and cash equivalents	3,947	(20,918)
Cash and cash equivalents at the beginning of the period	40,083	78,871
Cash and cash equivalents at the end of the period	44,030	57,953

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2020

## 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 ('the 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, 3168  
Australia

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2021.

## Note 2. Significant accounting policies

These general purpose financial statements for the financial half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

### (a) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### (b) New standards and interpretations adopted

A number of new standards are effective from 1 July 2020 but they do not have a material effect on the Consolidated Entity's half-year financial statements.

### (c) Going concern

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

The Consolidated Entity reported a net loss after tax from continuing operations for the financial half-year of \$10,131,000 (31 December 2019: loss of \$10,280,000). Working capital, being current assets less current liabilities, amounts to a surplus of \$44,737,000 (30 June 2020: \$37,894,000 surplus), with cash reserves increasing from \$40,083,000 to \$44,030,000 during the financial half-year.

Net cash outflows from operating activities were \$11,578,000 for the financial half-year (31 December 2019: \$3,691,000 net inflow). This result was broadly consistent with management's expectations.

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

- > The Consolidated Entity has available cash on hand as at 31 December 2020 of \$44,030,000;
- > The Consolidated Entity received \$15,956,000 during the financial half-year, and an additional \$18,895,000 in January 2021, as net proceeds from successful equity issuances;
- > The Consolidated Entity is able to defer major development expenditure at the Sunrise Project until a funding package is secured;
- > The Consolidated Entity has successfully completed a number of contracts to design, procure and construct water purification plants which have generated positive cashflows over recent years. The Consolidated Entity is confident, on the basis of successful completion of these contracts, that it will be awarded additional water treatment contracts in the future. In January 2021, the Consolidated Entity announced that Clean TeQ Water had been awarded two water purification contracts in Koumala, Queensland and in Oman
- > The Consolidated Entity expects to receive cash rebates from the Australian Tax Office for eligible research and development expenditure incurred in FY2020 and FY2021. The Consolidated Entity has recognised a \$1,319,000 receivable for the estimated refund due to it for expenditure incurred during FY2020 and the financial half-year; and,
- > Forecast cash flows indicate the ability of the Consolidated Entity to maintain a positive cash position for at least the period of 12 months to February 2022.

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

As 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 to support their confidence.

On the basis of cash and cash equivalents available as at 31 December 2020, cashflow forecasts to February 2022 and beyond, the ability of the Consolidated Entity to scale back planned activities if required to preserve cash 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 FINANCIAL STATEMENTS CONTINUED

**Note 3. Operating segments**

## Operating segment information

Consolidated – 31 December 2020	Metals \$'000	Water \$'000	Intersegment eliminations/ Unallocated \$'000	Total \$'000
<b>Revenue and other income</b>				
Sales to external customers	–	1,243	–	1,243
Sales to internal customers	–	–	–	–
Other revenue	–	–	314	314
<b>Total revenue and other income</b>	–	1,243	314	1,557
<b>Reportable segment (loss)/profit before tax</b>	(3,823)	(615)	(5,693)	(10,131)
<b>Profit/(loss) before income tax benefit</b>				(10,131)
Income tax benefit				–
<b>Loss after income tax benefit</b>				(10,131)
<b>Assets</b>				
Segment assets	–	5,823	47,947	53,770
<b>Total assets</b>				53,770
<b>Liabilities</b>				
Segment liabilities	1,390	1,735	1,963	5,088
<b>Total liabilities</b>				5,088

Consolidated – 31 December 2019	Metals \$'000	Water \$'000	Intersegment eliminations/ Unallocated \$'000	Total \$'000
<b>Revenue and other income</b>				
Sales to external customers*	–	(55)	–	(55)
Sales to internal customers	–	422	(422)	–
Other revenue	–	–	721	721
<b>Total revenue and other income</b>	<b>–</b>	<b>367</b>	<b>299</b>	<b>666</b>
<b>Reportable segment (loss)/profit before tax</b>	<b>(1,301)</b>	<b>(2,228)</b>	<b>(6,751)</b>	<b>(10,280)</b>
<b>Profit/(loss) before income tax benefit</b>				<b>(10,280)</b>
Income tax benefit				–
<b>Loss after income tax benefit</b>				<b>(10,280)</b>
<b>Assets</b>				
Segment assets	175,908	8,133	59,236	243,277
<b>Total assets</b>				<b>243,277</b>
<b>Liabilities</b>				
Segment liabilities	11,081	1,151	2,577	14,809
<b>Total liabilities</b>				<b>14,809</b>

\* The negative balance arose as a result of credit notes being issued to customers which exceeded the value of sales receipts during the period.

#### Note 4. Revenue and other income

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Sales revenue</b>		
Contract revenue*	1,243	(55)
Government grants	233	455
	1,476	400
<b>Other revenue</b>		
Proceeds from sale of non-current asset	16	–
Service fee revenue	54	–
Other revenue	11	266
	81	266
<b>Revenue and other income</b>	<b>1,557</b>	<b>666</b>

\* The negative balance arose as a result of credit notes being issued to customers which exceeded the value of sales receipts during the period.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**Note 5. Employee benefits expenses**

	Consolidated	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Wages and salaries	(3,076)	(3,926)
Employee entitlements	(191)	(48)
Superannuation	(278)	(285)
Equity settled share-based payments	(773)	(1,344)
Contractors and consultants	(661)	–
Other costs	(303)	(338)
	(5,282)	(5,941)

**Note 6. Non-current assets – Intangibles**

	Consolidated	
	31 Dec 2020 \$'000	30 June 2020 \$'000
Capitalised development costs – at cost	18,424	18,424
Less: Accumulated amortisation and impairments	(15,227)	(15,045)
	3,197	3,379
Patents and trademarks – at cost	713	713
Less: Accumulated amortisation and impairments	(594)	(577)
	119	136
Licence rights – at cost	4,792	4,792
Less: Accumulated amortisation and impairments	(4,772)	(4,772)
	20	20
	3,336	3,535



## Note 7. Equity – issued capital

	Consolidated			
	31 Dec 2020 Shares	30 June 2020 Shares	31 Dec 2020 \$'000	30 June 2020 \$'000
Ordinary shares – fully paid	810,360,205	746,460,205	305,593	289,637

### Movements in ordinary share capital

Details	Date	Shares	Issue Price	\$'000
Balance	1 Jul 2020	746,460,205		289,637
Shares issued	25 Nov 2020	63,900,000	\$0.25	15,975
Capital raising costs		–		(19)
Balance	31 Dec 2020	810,360,205		305,593

## Note 8. Equity – reserves

	Consolidated	
	31 Dec 2020 \$'000	30 June 2020 \$'000
Share based payments reserve	17,608	16,835
	17,608	16,835

### Movements in reserves

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

Consolidated	Total \$'000
Balance as at 1 July 2020	16,835
Share based payments	773
Balance as at 31 December 2020	17,608

## Note 9. Equity – dividends

### Dividends

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

## NOTES TO FINANCIAL STATEMENTS CONTINUED

**Note 10. Events after the reporting period**

On 13 January 2021 Clean TeQ issued 12,000,000 fully paid ordinary shares to each of Mr Robert Friedland, Co-Chairman and Non-Executive Director of the Company, and Pengxin International Group Limited, an entity associated with Mr Jiang Zhaobai, Co-Chairman and Non-Executive Director of the Company, at \$0.25 per share to raise total proceeds of \$6,000,000.

On 19 January 2021 the Company issued 51,581,253 fully paid ordinary shares at \$0.25 per share to raise total proceeds of \$12,895,000 pursuant to the SPP announced in November 2020.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

**Note 11. Share-based payments**

Clean TeQ's approach to remuneration is to ensure that employee remuneration 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 granted pursuant to the Company's EIP Rules which were approved by shareholders on 15 October 2020.

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. 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 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.

Set out below are summaries of options granted as at 31 December 2020:

Grant	Expiry date	Exercise price	Balance at the start of the financial half-year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the financial half-year
07-Sep-17	31-Aug-20	\$0.95	350,000	–	–	(350,000)	–
06-Nov-17	06-Nov-20	\$1.73	75,000	–	–	(75,000)	–
05-Feb-18	04-Dec-20	\$1.80	5,000,000	–	–	(5,000,000)	–
02-Jul-18	12-Mar-21	\$1.63	500,000	–	–	–	500,000
13-Jul-18	19-Feb-21	\$1.88	1,000,000	–	–	–	1,000,000
12-Aug-19	09-Aug-23	\$0.53	5,865,604	–	–	–	5,865,604
01-Nov-19	09-Aug-23	\$0.53	1,000,000	–	–	–	1,000,000
			13,790,604	–	–	(5,425,000)	8,365,604
Weighted average exercise price:			\$1.15	–	–	\$1.74	\$0.76

The weighted average number of years to expiry for share options issued under the Plan is 2.16 years (30 June 2020: 1.78 years).

Set out below are summaries of performance rights granted as at 31 December 2020:

Grant date	Expiry date	Exercise price	Balance at the start of the financial half-year	Granted	Vested	Expired/forfeited/Other*	Balance at the end of the financial half-year
15-Aug-17	01-Jul-20	\$0.00	1,256,919		–	(1,256,919)	–
06-Feb-18	01-Jan-21	\$0.00	377,682		–	(28,844)	348,838
06-Sep-18	01-Jul-21	\$0.00	700,743		–	(66,980)	633,763
22-Nov-18	01-Jan-21	\$0.00	100,757		–	–	100,757
22-Nov-18	01-Jul-21	\$0.00	142,341		–	–	142,341
06-Feb-19	01-Jan-22	\$0.00	1,952,830		–	(308,603)	1,644,227
16-Aug-19	01-Jul-22	\$0.00	2,431,115		–	(465,814)	1,965,301
01-Nov-19	01-Jan-22	\$0.00	348,742		–	–	348,742
01-Nov-19	01-Jul-22	\$0.00	408,117		–	–	408,117
12-Mar-20	01-Jan-23	\$0.00	3,976,380		–	(954,101)	3,022,279
17-Jul-20	01-Jul-23	\$0.00	–	6,494,459	–	(44,963)	6,449,496
15-Oct-20	31-Dec-22	\$0.00	–	671,511	–	–	671,511
15-Oct-20	01-Jul-23	\$0.00	–	2,173,194	–	–	2,173,194
			11,695,626	9,339,164	0	(3,126,224)	17,908,566

\* 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:

Grant date	Expiry date	Share price at grant date	Volatility	Dividend Yield	Vesting probability	Fair value at grant date
17-Jul-20	01-Jul-23	\$0.13	75.07%	–%	50.00%	\$0.150
15-Oct-20	31-Dec-22	\$0.34	77.94%	–%	50.00%	\$0.278
15-Oct-20	01-Jul-23	\$0.34	80.14%	–%	100.00%	\$0.308

## DIRECTORS' DECLARATION

FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2020

In the opinion of the directors of Clean TeQ Holdings Limited ("the Company") and its controlled entities ("the Consolidated Entity"):

- a) the consolidated financial statements and notes set out on pages 13 to 25, are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and of its performance, for the six-month period ended on that date; and
  - ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b) there are reasonable grounds to believe that the Company and the Consolidated Entity will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

On behalf of the directors



**Sam Riggall**

Managing Director and Chief Executive Officer

25 February 2021

Melbourne

# INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE FINANCIAL HALF-YEAR ENDED 31 DECEMBER 2020



## Independent Auditor's Review Report

To the shareholders of Clean TeQ Holdings Limited

### Report on the Half-year Financial Report

#### Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Clean TeQ Holdings Limited

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Clean TeQ Holdings Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Consolidated Entity's** financial position as at 31 December 2020 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Consolidated Entity** comprises Clean TeQ Holdings Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Consolidated Entity in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDITOR'S REVIEW REPORT CONTINUED



**Responsibilities of the Directors for the Half-year Financial Report**

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibilities for the Review of the Half-year Financial Report**

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Tony Romeo

*Partner*

Melbourne

25 February 2021

# CORPORATE DIRECTORY

## DIRECTORS

Robert Friedland (Co-Chairman and Non-Executive Director)  
Jiang Zhaobai (Co-Chairman and Non-Executive Director)  
Sam Riggall (Managing Director and Chief Executive Officer)  
Judith Downes (Non-Executive Director)  
Eric Finlayson (Non-Executive Director)  
Ian Knight (Non-Executive Director)  
Stefanie Loader (Lead Independent Non-Executive Director)

## COMPANY SECRETARY

Melanie Leydin

## PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE

Unit 12, 21 Howleys Road  
Notting Hill, Victoria, 3168  
Telephone: +61 3 9797 6700

## SHARE REGISTER

Computershare Investor Services Pty Ltd  
Yarra Falls, 452 Johnson Street  
Abbotsford, Victoria, 3067  
Telephone: +61 3 9415 5000

## AUDITORS

KPMG  
Tower 2, Collins Place  
727 Collins Street  
Docklands, 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) and OTCQX Market in the United States (OTCQX: CTEQF)

## WEBSITE

[www.cleanteq.com](http://www.cleanteq.com)



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