

Clean TeQ Holdings Limited  
(ABN 34 127 457 916)

Annual Report  
30 June 2016

**Clean TeQ Holdings Limited**  
**Corporate Directory**  
**30 June 2016**

**DIRECTORS**

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

**COMPANY SECRETARY**

Melanie Leydin

**PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE**

Unit 12, 21 Howleys Road  
Notting Hill, Victoria, 3168  
Tel: 61 (03) 9797 6700  
Fax: 61 (03) 9706 8344

**SHARE REGISTER**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnson Street  
Abbotsford, Victoria, 3067  
Tel: 61 (03) 9415 5000  
Fax: 61 (03) 9473 2500

**AUDITORS**

KPMG  
147 Collins Street  
Melbourne, Victoria 3000

**LEGAL ADVISORS**

Baker & McKenzie  
Level 19, 181 William Street  
Melbourne, Victoria 3000

**BANKERS**

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

**STOCK EXCHANGE LISTING**

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

**WEBSITE**

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

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The company's 2016 Corporate Governance Statement was released to the ASX on 18<sup>th</sup> August 2016 and is available at [www.cleanteq.com/investors/asx-announcements/](http://www.cleanteq.com/investors/asx-announcements/)

**Clean TeQ Holdings Limited**  
**Directors' Report**  
**For the year ended 30 June 2016**

The directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity') consisting of Clean TeQ Holdings Limited (referred to hereafter as the 'Parent Entity', 'the Company' or 'Clean TeQ') and the entities it controlled, for the financial year ended 30 June 2016, and the auditor's report thereon.

## **Directors**

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

Sam Riggall (Chairman and CEO)

Peter Voigt (Executive Director)

Roger Harley (Independent Non-Executive Director)

Ian Knight (Independent Non-Executive Director)

Eric Finlayson (Independent Non-Executive Director - appointed 16 September 2015)

## **Principal activities**

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

- 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'); 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 elements and through the development of the Consolidated Entity's Syerston Project in New South Wales ('Metals Division').

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

## **Dividends**

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

## **Review of Operations**

The loss for the Consolidated Entity after providing for income tax amounted to \$6,423,000 (30 June 2015: loss after tax of \$8,225,000).

During the financial year ended 30 June 2016, the Consolidated Entity's revenue from continuing operations increased to \$1,454,000 (2015: \$790,000) primarily due to an increase in ATO research and development rebate income accrued in the current period. During the financial year, the Consolidated Entity recorded a loss after tax from continuing operations of \$6,423,000 compared to a \$9,155,000 loss after tax in the comparative 2015 period.

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

The key focus for the Metals Division was advancing the development of the Consolidated Entity's Syerston Project in New South Wales, the background of which is discussed further below. A Feasibility Study for the Syerston Scandium Project is due for completion in September 2016. The Feasibility Study will be used as the basis for a decision to proceed with project construction, subject to obtaining offtake commitments and financing.

A key focus for the Consolidated Entity is securing offtake contracts to support the levels of scandium oxide production proposed in the Feasibility Study. Clean TeQ marketing personnel are working with a number of counterparties in the aerospace and solid oxide fuel cell industries with the aim of securing scandium oxide offtake contracts. In addition to these opportunities, a number of offtake opportunities are also being pursued in the automotive, marine and aerospace sectors using aluminium-scandium sheet, welding wire, extruded parts and powder, which are expected to provide other additional sources of offtake in the future.

During the financial year, the Company constructed and operated a scandium recovery and purification demonstration plant in Perth. The demonstration plant simulated the scandium recovery process which is proposed to be used at the Syerston Scandium Project. The demonstration plant campaign, which included commissioning and operation of the entire leaching and extraction circuit, processed approximately 12 tonnes of Syerston ore, to produce samples of high purity (99.9%) scandium oxide. Potential offtake partners were provided with samples of scandium oxide and confirmed the product met their quality specifications.

A 58-hole shallow vertical reverse circulation drill program was completed in November 2015 at the Syerston Scandium Project. The drill program was primarily targeted at increasing the confidence levels of the existing high grade scandium resource identified by the previously reported drill programs. The assay results of the infill drilling were well correlated with the existing data, confirming the high Scandium grades of the drilled zones. The data from the program was used to prepare an updated scandium mineral resource, which formed the basis for the Syerston Scandium Project Feasibility Study.

The updated Mineral Resource estimate (detailed below) confirmed the significant high-grade scandium mineralisation present at shallow depths in the laterite soils.

**Syerston Scandium Mineral Resource Estimate (for full details see announcement of 17 March 2016)**

Cut-off	Classification Category	Tonnage Mt	Sc Grade ppm	Sc Tonnes	Sc <sub>2</sub> O <sub>3</sub> Equiv Tonnes*
<b>Sc &gt;300ppm</b>	Measured	5.8	454	2,635	4,032
	Indicated	15.9	420	6,697	10,247
	Inferred	6.4	386	2,487	3,805
	<b>Total</b>	<b>28.2</b>	<b>419</b>	<b>11,819</b>	<b>18,083</b>
<b>Sc &gt;600ppm</b>	Measured	0.6	685	394	603
	Indicated	0.8	663	545	834
	Inferred	0.1	630	57	87
	<b>Total</b>	<b>1.5</b>	<b>670</b>	<b>996</b>	<b>1,524</b>

\* Sc tonnage multiplied by 1.53 to convert to Sc<sub>2</sub>O<sub>3</sub>.

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The large volume of scandium contained within the Syerston resource provides Clean TeQ with the opportunity to create a long life mining operation with the ability to scale up production in future years to meet anticipated growth in demand for scandium oxide.

The updated Mineral Resource confirmed the very high grade of the deposit, with increases to the grades of the global resource as well as the high grade (>600ppm scandium) portion. The very high scandium grade in the Mineral Resource significantly increases the potential for Syerston to be one of the lowest cost sources of primary mine production in the world.

The Water Division was focused on developing commercial opportunities for the Company's technology to treat waste waters, with an emphasis on opportunities in the large Chinese market.

During the financial year, Clean TeQ executed a binding agreement with Jinzhong Hoyo Municipal Urban Investment & Construction Co., Ltd ('Hoyo') to form a Chinese incorporated joint venture ('JV Company') which will pursue water treatment opportunities in China's Shanxi Province utilising Clean TeQ's water purification technology.

Clean TeQ and Hoyo have also reached in-principle agreement on the terms on which the JV Company will build, own and operate a Clean TeQ CIF<sup>®</sup> water treatment plant at an existing wastewater treatment facility owned and operated by Qixian Hoyo Waste Water Treatment Co., Ltd ('Qixian') in Shanxi Province.

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

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

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

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

The continuing development of the Syerston Project resulted in \$4,657,000 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 \$2,333,000, was financed largely by capital raisings totalling \$12,139,000 after issue costs.

In August 2015, the Consolidated Entity made the final payment of \$1,171,000 to Nippon Gas Co Limited ('NGC') under the purchase agreement struck with NGC, for the Consolidated Entity to purchase NGC's 50% share of the Associated Water Joint Venture and NGC's 85% share of Clean World Japan.

As a result of the above, the Consolidated Entity's net assets increased during the financial year by \$7,955,000 to \$22,725,000 (30 June 2015: \$14,770,000). Working Capital, being current assets less current liabilities, amounts to a surplus of \$9,361,000 (30 June 2015: \$2,820,000), with cash reserves increasing from \$3,313,000 to \$7,226,000 during the financial year.

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**Significant changes in the state of affairs**

On 8 July 2015, the Company announced that Sam Riggall, Executive Chairman and Interim Chief Executive Officer, was appointed Chairman and Chief Executive Officer, effective 1 July 2015.

On 27 August 2015, the Company announced the issue of a total of 36,876,574 new shares pursuant to an underwritten non-renounceable pro rata entitlement offer on the basis of 1 new fully paid ordinary share in the Company for every 10 shares at an issue price of \$0.18 per new share ('Entitlement Offer'). The Company also issued a total of 12,362,164 new shares to certain nominees of the underwriter at the same issue price as the Entitlement Offer ('Top-Up Placement'). The Entitlement Offer and Top-Up Placement raised total proceeds of \$8,863,000 before issuance costs.

On 16 September 2015, the Company announced the appointment of Mr Eric Finlayson as a non-executive independent director. Mr Finlayson is a geologist with over thirty years' experience in Australia and overseas. Mr Finlayson worked for 24 years with Rio Tinto including as regional exploration manager for Canada, Director of Exploration for Australasia and Global Head of Exploration for Rio Tinto based in London. Mr Finlayson is currently President of High Power Exploration.

On 9 May 2016 the Company announced agreement of a private placement of 19,047,620 new shares at an issue price of \$0.21 per share to raise proceeds of \$4,000,000. The shares were subscribed for by two institutional investors based in Sydney and Hong Kong.

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**

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

The Consolidated Entity will continue to pursue its objectives of advancing the development of the Syerston Project as well as its suite of technology applications for the treatment of water for use by 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 capital raisings as well as operational revenues from contracts entered into, and through securing additional contracts throughout the year. The Consolidated Entity will consider both debt and equity funding should the need arise.

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.

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**Environmental regulation**

The Consolidated Entity has an interest in the exploration license 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 exploration licence typically include certain environmental conditions, covering such matters as Aboriginal cultural heritage, threatened species, habitat, heritage items, trees and vegetation, roads and tracks, groundwater, streams and watercourses, erosion and sediment controls, preventing and monitoring pollution, refuse, chemicals, fuels and waste materials, transmission lines and pipelines, drilling, rehabilitation of the land, environmental reporting, and site security. There have been no known breaches of the Consolidated Entity's licence conditions or any other environmental regulation during the financial year or up until the date of this report.

**Information on directors**

Name:	Mr Sam Riggall
Title:	Chairman & 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.
Other current directorships:	Syrah Resources Limited
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	6,878,634 fully paid ordinary shares
Interests in options:	8,000,000 unlisted options exercisable at \$0.1574 (15.74 cents) per option and 8,000,000 unlisted options exercisable at \$0.2305 (23.05 cents) per option
Interests in rights:	480,000



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Name: Mr Peter Voigt  
Title: Executive Director  
Qualifications: Mr Voigt has a Bachelor and Masters of Applied Science (Chemistry) from the Royal Melbourne Institute of Technology  
Experience and Expertise: Mr Voigt established Clean TeQ in 1990 and, as Executive Director, is currently involved in the delivery of strategic initiatives in the Water and Metals Divisions. Mr Voigt became a Director of the Company in 2007 and held the positions of Chief Technology Officer from 2007 to 2009 and Chief Executive Officer from 2010 to 2013. Mr Voigt is a biochemist, with extensive experience in technology development, commercialisation, partnering and licensing globally. Prior to founding Clean TeQ, Mr Voigt held a number of technical management positions with major food companies and universities.  
Other current directorships: Nil  
Former directorships (last 3 years): Nil  
Special responsibilities: Nil  
Interests in shares: 27,725,794 fully paid ordinary shares  
Interests in options: 2,000,000 unlisted options exercisable at \$0.1450 (14.50 cents) per option  
Interests in rights: 400,000

Name: Mr Roger Harley  
Title: Independent Non-Executive Director  
Qualifications: Mr Harley has a science degree from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.  
Experience and Expertise: Mr Harley is a founder and principal of independent corporate advisory firm, Fawcner Capital. Previously he worked for 11 years for Deutsche Bank, and held positions including Director of Corporate Finance and Director of Equity Capital Markets. His current roles also include Director of People and Parks Foundation and Trustee of the Alfred Deakin Lecture Trust. Mr Harley has had various appointments by the Commonwealth Government that related to the oversight of innovation and venture capital programs and policies. These include membership of the Pooled Development Funds Registration Board, the Industry Research and Development Board and Innovation Australia. His previous board positions include Director of Medibank Private. He was appointed a Director of Clean TeQ on 1 June 2010.  
Other current directorships: Nil  
Former directorships (last 3 years): Nil  
Special responsibilities: Mr Harley is a member of the Audit Committee and Chair of the Nomination and Remuneration Committee.  
Interests in shares: 1,830,812 fully paid ordinary shares (including 455,406 owned by spouse)  
Interests in options: 750,000 unlisted options exercisable at \$0.2712 (27.12 cents) per option  
Interests in rights: Nil

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Name: Mr Ian Knight  
Title: Independent Non-Executive Director  
Qualifications: FCA, CPA  
Experience and Expertise: Mr Knight is a graduate in Business Studies and is also a fellow of the Institute of Chartered Accountants, a member of the Australian Society of Certified Practising Accountants, an Associate Fellow of the Australian Institute of Management and a member of the Institute of Company Directors. His experience includes presenting and working with boards of public, private and private equity ownership, State and Federal Governments and extensive experience in strategising and implementing mergers, acquisitions, divestments and capital raising initiatives. Mr Knight was also formerly a Partner of KPMG where he held the position of Head of Mergers and Acquisitions and Head of Private Equity for KPMG Corporate Finance. Currently he is Managing Director of nem Corporate Pty Ltd and a partner of nem Australasia Pty Ltd. He was appointed a director of Clean TeQ on 8 July 2013.  
Other current directorships: Graziers' Investment Company Limited (public unlisted company)  
Former directorships (last 3 years): Nil  
Special responsibilities: Mr Knight is a member of the Nomination and Remuneration Committee and Chair of the Audit Committee.  
Interests in shares: 1,025,557 fully paid ordinary shares  
Interests in options: 750,000 unlisted options exercisable at \$0.2712 (27.12 cents) per option  
Interests in rights: Nil

Name: Mr Eric Finlayson  
Title: Independent 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 Australia. He was appointed a director of Clean TeQ on 16 September 2015.  
Other current directorships: Cordoba Minerals Corp. and Kaizen Discovery Inc.  
Former directorships (last 3 years): Apollo Minerals Limited (resigned 7 July 2016)  
Special responsibilities: Mr Finlayson is a member of the Nomination and Remuneration Committee and Audit Committee  
Interests in shares: Nil  
Interests in options: 750,000 unlisted options exercisable at \$0.2712 (27.12 cents) per option  
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.

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**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 2016, and the number of meetings attended by each director were:

	<b>Full Board Meeting</b>		<b>Audit Committee</b>		<b>Nomination and Remuneration Committee</b>	
	<b>Attended</b>	<b>Held</b>	<b>Attended</b>	<b>Held</b>	<b>Attended</b>	<b>Held</b>
Sam Riggall	11	11	1	1	-	-
Peter Voigt	11	11	-	-	-	-
Roger Harley	11	11	2	2	2	2
Ian Knight	11	11	2	2	2	2
Eric Finlayson	7	7	1	1	2	2

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

**Remuneration report (audited)**

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

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

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

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

The Board of Directors is responsible for approving the compensation arrangements for the Directors and senior executives following recommendations received from the Remuneration and Nomination Committee. The Board, in conjunction with the Remuneration and Nomination Committee, assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by

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reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity.

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

- Sam Riggall - Chairman and Chief Executive Officer (appointed 1 July 2015)
- Roger Harley - Independent Non-Executive Director
- Ian Knight - Independent Non-Executive Director
- Eric Finlayson - Independent Non-Executive Director (appointed 17 September 2015)
- Peter Voigt - Executive Director
- Ben Stockdale - Chief Financial Officer (appointed 15 January 2015)
- Cory Williams - Chief Executive Officer (resigned 18 November 2014)
- Tony Panther - Chief Financial Officer (resigned 31 January 2015)

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

Compensation levels for key management personnel and the Company Secretary are competitively set to attract and retain appropriately qualified and experienced directors and executives. As and when required the Nomination and Remuneration Committee has access to independent advice on the appropriateness of compensation packages given trends in comparative companies and the objectives of the compensation strategy. Independent advice was not sought during the 2016 or 2015 financial years, however, the Nomination and Remuneration Subcommittee of the Board has committed to undertake an independent remuneration benchmarking exercise for directors and key employees during financial year 2017.

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

The compensation structures take into account:

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

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

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

### **Fixed remuneration**

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

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

### **Performance-linked remuneration**

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

During the 2016 financial year the Board exercised its discretion and authorised the issue of options and performance rights to selected key management personnel but no bonuses were paid. Refer to section E of this remuneration report for an analysis of the Consolidated Entity's recent performance and link to overall remuneration.

### **Short Term Incentive**

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

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

At the end of the financial year, the Nomination and Remuneration Committee assesses the actual performance of the Consolidated Entity, the relevant segment and individual against the KPI's set at the beginning of the financial year. A percentage of the pre-determined maximum bonus amount is awarded at the Board's discretion and depending on results. No bonus is awarded where performance falls below the minimum. There were no bonuses or incentives paid during the 2016 and 2015 financial years.

### **Long Term Incentive**

The LTI consists of a grant of options to directors and key executives, administered under the Company's shareholder approved Employee Share Option Plan ('ESOP'). The ESOP provides for directors and 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 directors and key executives with other owners of the Company. The ability to exercise the options is conditional upon each director and key executive's ongoing employment by the Company and other applicable performance hurdles determined by the Board from time to time.

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The LTI also consists of a grant of performance rights to employees, administered under the terms of the ESOP. The grant of performance rights is intended to align the interests of employees with other owners of the Company. 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 an annual basis, with the at-risk value of the annual grant over the 3 year vesting period representing a percentage of the employee's base salary, priced at the time of grant. Vesting is contingent on the Consolidated Entity meeting or exceeding a performance hurdle over a 3 year performance period. The performance hurdle involves an assessment of the Company's total shareholder returns relative to a comparator group of companies. Vesting is also subject to the continued employment of the employee.

The ESOP, which was adopted on 24 September 2007, states that the total number of options issued pursuant to the ESOP must not exceed 10% of the total number of issued shares in the Company. The Nomination and Remuneration Committee, in conjunction with the Board, determines the number of options and the terms and conditions associated with those options that may be issued to employees each year. The criteria used to assess the number of options issued include the Consolidated Entity's performance, individual performance and an industry analysis of best practice. The method of assessment was chosen as it provides the Nomination and Remuneration Committee with an objective means of measuring performance against expected performance.

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

### **Short Term and Long Term Incentive Structure**

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

In the current year the Consolidated Entity has achieved many of its operational targets, however, 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 Syerston Project being at the pre-production development phase. The Nomination and Remuneration Committee will conduct a formal assessment of employee's key performance indicators and the Consolidated Entity's performance as a whole during the 2017 financial year to determine if any STI bonus is to be awarded in respect of the 2016 financial year.

### **Non-Executive Directors**

The Company Constitution provides for Non-Executive Directors to be paid or provided remuneration for their services the total amount or value of which must not exceed an aggregate maximum of \$500,000 per annum or such other maximum amount determined from time to time by the Company in a general meeting.

The aggregate maximum sum will be apportioned among them in such manner as the Directors in their absolute discretion determine. Non-Executive Directors fees are set based on advice from external advisors with reference to fees paid to other Non-Executive Directors of comparable companies. Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main Board and Committee activities.

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.

**Clean TeQ Holdings Limited**  
**Directors' Report**  
**For the year ended 30 June 2016**

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution.

**Other benefits**

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

**Voting and comments made at the Company's 19 November 2015 Annual General Meeting ('AGM')**

The Company received 89.4% of 'for' votes in relation to its remuneration report for the year ended 30 June 2015. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

**B. Details of remuneration (audited)**

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

	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	
2016	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Roger Harley	45,872	-	-	4,358	-	62,325	112,555
Ian Knight	50,000	-	-	-	-	62,325	112,325
Eric Finlayson**	36,315	-	-	3,450	-	62,325	102,090
<i>Executive Directors:</i>							
Sam Riggall*	185,841	-	-	14,460	3,053	688,149	891,503
Peter Voigt	200,001	-	152	19,000	3,352	210,724	433,229
<i>Other KMP:</i>							
Ben Stockdale	250,001	-	-	23,750	4,190	191,142	469,083
	768,030	-	152	65,018	10,595	1,276,990	2,120,785

\* Sam Riggall was appointed to the position of CEO on 1 July 2015.

\*\* Eric Finlayson was appointed as a Non-Executive Director on 16 September 2015.

**Clean TeQ Holdings Limited**  
**Directors' Report**  
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	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	
2015	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:							
Roger Harley	45,872	-	-	4,358	-	-	50,230
Ian Knight	50,000	-	-	-	-	-	50,000
Executive Directors:							
Sam Riggall****	137,300	-	7,065	13,044	-	544,072	701,481
Peter Voigt	200,001	-	15,000	19,000	3,342	-	237,343
Other KMP:							
Cory Williams*	371,476	-	-	23,415	-	-	394,891
Tony Panther**	125,867	-	10,650	10,018	-	-	146,535
Ben Stockdale***	104,167	-	-	9,896	1,694	134,899	250,656
	1,034,683	-	32,715	79,731	5,036	678,971	1,831,136

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

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

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

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



**Clean TeQ Holdings Limited**  
**Directors' Report**  
**For the year ended 30 June 2016**

**C. Service agreements (audited)**

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

Name: Mr Sam Riggall  
Title: Chairman and Chief Executive Officer  
Agreement commenced: 1 July 2015  
Term of agreement: No fixed term  
Experience and Expertise: Remuneration is set at a salary of \$200,000 per annum, inclusive of superannuation based on duties as Chairman and Chief Executive Officer. 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 Peter Voigt  
Title: Executive Director  
Agreement commenced: 1 March 2015  
Term of agreement: No fixed term  
Experience and Expertise: Remuneration is set at a base salary of \$200,000 per annum plus superannuation of \$19,000 based on duties as executive director. The Company may terminate the agreement upon three months' notice or payment in lieu of notice. Mr Voigt can terminate the agreement upon three months' notice. The Company may terminate the agreement immediately where the executive commits any act of serious misconduct, persistent breach or non-observance of a term of this agreement.

Name: Mr Ben Stockdale  
Title: Chief Financial Officer  
Agreement commenced: 15 January 2015  
Term of agreement: No fixed term  
Experience and Expertise: Remuneration set at base salary of \$250,000 per annum plus superannuation of \$23,750 based on duties as Chief Financial Officer. The Company may terminate the agreement upon six months' notice or payment in lieu of notice. Mr Stockdale can terminate the agreement upon three months' notice. The Company may terminate the agreement immediately where the executive commits any act of serious misconduct, persistent breach or non-observance of a term of this agreement.

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

**Clean TeQ Holdings Limited**  
**Directors' Report**  
**For the year ended 30 June 2016**

**D. Share-based compensation (audited)**

**Issue of shares**

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2016.

**Options**

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

<b>Grantee/Number of Options/Grant Date</b>	<b>Vesting date &amp; exercisable date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Fair value per option at grant date</b>
Sam Riggall 4,000,000 options 20 November 2015	20 November 2015	30 June 2018	\$0.2305	\$0.085
Sam Riggall 4,000,000 options 20 November 2015	31 December 2015	30 June 2018	\$0.2305	\$0.085
Peter Voigt 2,000,000 options 20 November 2015	20 November 2015	31 March 2018	\$0.1450	\$0.102
Roger Harley 750,000 options 20 November 2015	20 November 2015	30 November 2018	\$0.2712	\$0.083
Ian Knight 750,000 options 20 November 2015	20 November 2015	30 November 2018	\$0.2712	\$0.083
Eric Finlayson 750,000 options 20 November 2015	20 November 2015	30 November 2018	\$0.2712	\$0.083
Ben Stockdale 1,000,000 options 16 May 2016	16 May 2016	16 May 2019	\$0.2820	\$0.177

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2016 is set out below:

**Clean TeQ Holdings Limited**  
**Directors' Report**  
**For the year ended 30 June 2016**

	<b>Number of options granted during the year</b>	<b>Number of options granted during the year</b>	<b>Number of options vested during the year</b>	<b>Number of options vested during the year</b>
<b>Name</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Sam Riggall	8,000,000	8,000,000	12,000,000	4,000,000
Ben Stockdale	1,000,000	2,000,000	1,000,000	2,000,000
Peter Voigt	2,000,000	-	2,000,000	-
Roger Harley	750,000	-	750,000	-
Ian Knight	750,000	-	750,000	-
Eric Finlayson	750,000	-	750,000	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

	<b>Value of options granted during the year</b>	<b>Value of options exercised during the year</b>	<b>Value of options lapsed during the year</b>	<b>Remuneration consisting of options for the year</b>
<b>Name</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Sam Riggall	680,800	-	-	76%
Peter Voigt	204,600	-	-	47%
Roger Harley	62,325	-	-	55%
Ian Knight	62,325	-	-	55%
Eric Finlayson	62,325	-	-	61%
Ben Stockdale	177,500	-	-	38%

Options vested in prior years and expired in the current year are disclosed in note 42 to the financial statements.

**Clean TeQ Holdings Limited**  
**Directors' Report**  
**For the year ended 30 June 2016**

**Performance Rights**

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

<b>Grantee/Number of Performance Rights/Grant Date</b>	<b>Vesting date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Fair value per performance right at grant date</b>
Sam Riggall 480,000 rights 20 November 2015	1 July 2018	1 July 2018	Nil	\$0.065
Peter Voigt 400,000 rights 20 November 2015	1 July 2018	1 July 2018	Nil	\$0.065
Ben Stockdale 400,000 rights 8 July 2015	1 July 2018	1 July 2018	Nil	\$0.086
Ben Stockdale 468,606 rights 16 May 2016	1 July 2019	1 July 2019	Nil	\$0.126

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to each key management personnel as part of compensation during the year ended 30 June 2016 is set out below:

<b>Name</b>	<b>Number of rights granted during the year 2016</b>	<b>Number of rights granted during the year 2015</b>	<b>Number of rights vested during the year 2016</b>	<b>Number of rights vested during the year 2015</b>
Sam Riggall	480,000	-	-	-
Peter Voigt	400,000	-	-	-
Ben Stockdale	868,606	-	-	-

Values of performance rights over ordinary shares granted, exercised and lapsed key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

<b>Name</b>	<b>Value of rights granted during the year 2016</b>	<b>Value of rights vesting during the year 2015</b>	<b>Value of rights vesting during the year 2016</b>	<b>Value of rights lapsed during the year 2015</b>
Sam Riggall	31,330	-	-	-
Peter Voigt	26,109	-	-	-
Ben Stockdale	93,491	-	-	-

**Clean TeQ Holdings Limited**  
**Directors' Report**  
**For the year ended 30 June 2016**

**Equity Instruments**

During the course of the 2008 financial year the Company introduced an Employee Share Option Plan for employees and Directors of the Company ('ESOP'). All options refer to options and performance rights over ordinary shares of Clean TeQ Holdings Limited, which are exercisable on a one-for-one basis under the Plan. The broad details of the Plan are set out below:

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

**E. Additional information (audited)**

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

The earnings of the Consolidated Entity for the five years to 30 June 2016 are summarised below:

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) after income tax	1,248	(4,631)	(4,910)	(8,225)	(6,423)

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

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Share price at financial year end (\$)	0.13	0.10	0.05	0.23	0.43
Movement in share price (\$)	0.09	(0.03)	(0.05)	0.18	0.20

Net profit after income tax is considered as one of the financial performance targets in setting the short-term incentives. Dividends and changes in share price are included in the total shareholder return calculation, which is one of the performance criteria assessed for the long-term incentives.

The other performance criteria assessed for the long term incentives is growth in earnings per share, which again takes into account the Consolidated Entity's net profit after income tax

**Clean TeQ Holdings Limited**  
**Directors' Report**  
**For the year ended 30 June 2016**

**F. Key management personnel transactions (audited)**

**Movement in shares held**

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

	<b>Balance at the start of the year</b>	<b>Received as part of remuneration</b>	<b>Additions</b>	<b>Disposals/ other</b>	<b>Balance at end of the year</b>
<i>Ordinary shares</i>					
Sam Riggall	6,253,304	-	625,330	-	6,878,634
Peter Voigt	27,614,683	-	1,111,111	(1,000,000)	27,725,794
Roger Harley	1,754,220	-	76,592	-	1,830,812
Ian Knight	200,000	-	825,557	-	1,025,557
Eric Finlayson*	-	-	-	-	-
Ben Stockdale	50,000	-	25,000	-	75,000
	<b>35,872,207</b>	<b>-</b>	<b>2,663,590</b>	<b>(1,000,000)</b>	<b>37,535,797</b>

\*Eric Finlayson was appointed to the position of Non-Executive Director during the financial year.

**Movement in options held**

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

	<b>Balance at the start of the year</b>	<b>Granted as part of remuneration</b>	<b>Exercised</b>	<b>Expired/ forfeited/ other</b>	<b>Balance at end of the year</b>
<i>Options over ordinary shares</i>					
Sam Riggall	8,000,000	8,000,000	-	-	16,000,000
Peter Voigt	1,000,000	2,000,000	-	(1,000,000)	2,000,000
Roger Harley	500,000	750,000	-	(500,000)	750,000
Ian Knight	-	750,000	-	-	750,000
Eric Finlayson*	-	750,000	-	-	750,000
Ben Stockdale	2,000,000	1,000,000	-	-	3,000,000
	<b>11,500,000</b>	<b>13,250,000</b>	<b>-</b>	<b>(1,500,000)</b>	<b>23,250,000</b>

\*Eric Finlayson was appointed to the position of Non-Executive Director during the financial year.

**Clean TeQ Holdings Limited**  
**Directors' Report**  
**For the year ended 30 June 2016**

**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:

	<b>Balance at the start of the year</b>	<b>Granted as part of remuneration</b>	<b>Vested</b>	<b>Expired/ forfeited/ other</b>	<b>Balance at end of the year</b>
<i>Rights over ordinary shares</i>					
Sam Riggall	-	480,000	-	-	480,000
Peter Voigt	-	400,000	-	-	400,000
Ben Stockdale	-	868,606	-	-	868,606
	-	1,748,606	-	-	1,748,606

**Other transactions with key management personnel**

Details of other transactions with key management personnel are set out in notes 30 and 34.

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

**Shares under option**

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

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number under Option</b>
19 December 2014	19 June 2017	\$0.1155	2,000,000
19 December 2014	19 June 2017	\$0.1455	2,000,000
25 February 2015	25 February 2018	\$0.1574	8,000,000
1 March 2015	1 March 2018	\$0.1495	6,000,000
6 July 2015	30 June 2018	\$0.3010	1,000,000
20 November 2015	30 June 2018	\$0.2305	8,000,000
20 November 2015	31 March 2018	\$0.1450	2,000,000
20 November 2015	30 November 2018	\$0.2712	3,500,000
16 May 2016	16 May 2019	\$0.2820	5,000,000
			<b>37,500,000</b>

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

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

**Shares subject to performance rights**

Unissued ordinary shares of Clean TeQ Holdings Limited subject to performance rights as at 30 June 2016 are as follows:

**Clean TeQ Holdings Limited**  
**Directors' Report**  
**For the year ended 30 June 2016**

<b>Grant Date</b>	<b>Vest Date</b>	<b>Exercise Price</b>	<b>Number</b>
8 July 2015	1 July 2018	Nil	1,594,416
20 November 2015	1 July 2018	Nil	880,000
16 May 2016	1 July 2019	Nil	1,756,281
			<b>4,230,697</b>

#### **Shares issued on the exercise of options or performance rights**

There were no ordinary shares of Clean TeQ Holdings Limited issued on the exercise of options or performance rights during the year ended 30 June 2016.

#### **Indemnity and insurance of officers**

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

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

#### **Indemnity and insurance of auditor**

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

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

#### **Proceedings on behalf of the Company**

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

#### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 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 31 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



**Clean TeQ Holdings Limited**  
**Directors' Report**  
**For the year ended 30 June 2016**

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

**Officers of the Company who are former audit partners of KPMG**

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

**Rounding of amounts**

The Company is of a kind referred to in 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 26 and forms part of the directors' report for the financial year ended 30 June 2016.

**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



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Sam Riggall  
Chairman and Chief Executive Officer

19 August 2016  
Melbourne



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

To: the directors of Clean TeQ Holding Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

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

*KPMG*

KPMG

Dana Bentley  
*Partner*

Melbourne

19<sup>th</sup> August 2016

**Clean TeQ Holdings Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>Revenue</b>	5	1,454	790
<b>Expenses</b>			
Inventory write downs	11	-	(85)
Raw materials and other direct costs	6	(61)	(561)
Employee benefits expenses	6	(4,291)	(2,609)
Impairment of license intangible asset	16	-	(2,751)
Depreciation and amortisation expenses	6	(704)	(1,199)
Legal and professional expenses		(543)	(623)
Occupancy expenses		(361)	(278)
Marketing expenses		(544)	(396)
Impairment of loan receivable		(326)	-
Other expenses		(773)	(728)
Finance costs		(274)	(715)
<b>Loss before income tax benefit from continuing operations</b>		<b>(6,423)</b>	<b>(9,155)</b>
Income tax expense	7	-	-
<b>Loss after income tax benefit from continuing operations</b>		<b>(6,423)</b>	<b>(9,155)</b>
Profit after income tax benefit from discontinued operations	8	-	930
<b>Loss after income tax benefit for the year attributable to the owners of Clean TeQ Holdings Limited</b>		<b>(6,423)</b>	<b>(8,225)</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 year, net of tax		-	-
<b>Total comprehensive income for the year attributable to the owners of Clean TeQ Holdings Limited</b>		<b>(6,423)</b>	<b>(8,225)</b>
Total comprehensive income for the year is attributable to:			
Continuing operations		(6,423)	(9,155)
Discontinued operations:			
Non-controlling interests		-	159
Owners of the company		-	771
		<b>(6,423)</b>	<b>(8,225)</b>

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

**Clean TeQ Holdings Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2016 Cents</b>	<b>2015 Cents</b>
<b>Earnings per share for loss from continuing operations attributable to the owners of Clean TeQ Holdings Limited</b>			
Basic earnings per share	41	(1.56)	(3.20)
Diluted earnings per share	41	(1.56)	(3.20)
<b>Earnings per share for profit from discontinued operations attributable to the owners of Clean TeQ Holdings Limited</b>			
Basic earnings per share	41	0.00	0.33
Diluted earnings per share	41	0.00	0.33
<b>Earnings per share for loss attributable to the owners of Clean TeQ Holdings Limited</b>			
Basic earnings per share	41	(1.56)	(2.87)
Diluted earnings per share	41	(1.56)	(2.87)

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

**Clean TeQ Holdings Limited**  
**Statement of Financial Position**  
**As at 30 June 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>Current assets</b>			
Cash and cash equivalents	9	7,226	3,313
Trade and other receivables	10	302	523
Inventories	11	96	96
Income tax receivable	12	2,395	963
Other financial assets	13	377	25
<b>Total current assets</b>		<b>10,396</b>	<b>4,920</b>
<b>Non-current assets</b>			
Other financial assets	14	-	328
Property, plant and equipment	15	2,329	2,589
Intangibles	16	11,103	11,900
Exploration and evaluation assets	17	3,201	246
<b>Total non-current assets</b>		<b>16,633</b>	<b>15,063</b>
<b>Total assets</b>		<b>27,029</b>	<b>19,983</b>
<b>Current liabilities</b>			
Trade and other payables	18	715	1,778
Employee benefits	19	274	276
Deferred revenue	20	46	46
<b>Total current liabilities</b>		<b>1,035</b>	<b>2,100</b>
<b>Non-current liabilities</b>			
Deferred revenue	20	544	590
Notes payable	21	2,684	2,490
Employee benefits	23	41	33
<b>Total non-current liabilities</b>		<b>3,269</b>	<b>3,113</b>
<b>Total liabilities</b>		<b>4,304</b>	<b>5,213</b>
<b>Net assets</b>		<b>22,725</b>	<b>14,770</b>
<b>Equity</b>			
Issued capital	24	39,856	27,717
Reserves	25	3,302	1,063
Accumulated losses	26	(20,433)	(14,010)
<b>Total equity</b>		<b>22,725</b>	<b>14,770</b>

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

**Clean TeQ Holdings Limited**  
**Statement of Changes in Equity**  
**For the year ending 30 June 2016**

	Contributed Equity	Accumulated Losses	Reserves	Non Control Interest	Total Equity
<b>Consolidated</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2014	17,787	(6,905)	198	-	11,080
Loss after income tax benefit for the financial year	-	(8,384)	-	159	(8,225)
Total comprehensive income for the financial year	-	(8,384)	-	159	(8,225)
<i>Transactions with owners in their capacity as owners:</i>					
Equity contributions, net of transaction costs (note 24)	9,930	-	-	-	9,930
Share-based payments (note 42)	-	-	1,023	-	1,023
Lapse of options	-	-	(158)	-	(158)
Total contribution and distribution:	9,930	-	865	-	10,795
<i>Change in ownership interests:</i>					
Change in controlling interest without a change in control (note 25)	-	-	1,120	-	1,120
Disposal of controlling interest in subsidiary (note 8)	-	1,120	(1,120)	-	-
Disposal of subsidiary with NCI	-	159	-	(159)	-
Total changes in ownership interests:	-	1,279	-	(159)	1,120
Total transactions with owners of the Company	9,930	1,279	865	(159)	11,915
Balance at 30 June 2015	27,717	(14,010)	1,063	-	14,770
Balance at 1 July 2015	27,717	(14,010)	1,063	-	14,770
Loss after income tax benefit for the financial year	-	(6,423)	-	-	(6,423)
Total comprehensive income for the financial year	-	(6,423)	-	-	(6,423)
<i>Transactions with owners in their capacity as owners:</i>					
Equity contributions, net of transaction costs (note 24)	12,139	-	-	-	12,139
Share-based payments (note 42)	-	-	2,239	-	2,239
Lapse of options	-	-	-	-	-
Total contribution and distribution:	12,139	-	2,239	-	14,378
<i>Change in ownership interests:</i>					
Change in controlling interest without a change in control (note 25)	-	-	-	-	-
Disposal of controlling interest in subsidiary (note 8)	-	-	-	-	-
Disposal of subsidiary with NCI	-	-	-	-	-
Total changes in ownership interests:	-	-	-	-	-
Total transactions with owners of the Company	12,139	-	2,239	-	14,378
Balance at 30 June 2016	39,856	(20,433)	3,302	-	22,725

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

**Clean TeQ Holdings Limited**  
**Statement of Cash Flows**  
**For the year ending 30 June 2016**

	Note	Consolidated	
		2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		681	7,229
Payments to suppliers and employees (inclusive of GST)		(4,550)	(10,214)
Cash used in operating activities		(3,869)	(2,985)
Interest received		110	66
Interest and other finance costs paid		(80)	(365)
Research and development tax incentive received		1,506	-
Net cash used in operating activities	40	(2,333)	(3,284)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	15	(41)	(55)
Payments for exploration and evaluation assets	17	(4,657)	(246)
Development expenditure		-	(1,178)
Proceeds from sale of business, net of cash disposed	8	-	1,922
Net cash (used in)/from investing activities		(4,698)	443
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of issuance costs		12,139	3,793
Payment of hire purchases		-	(30)
Cash on deposit for security over bank guarantees		(24)	-
Repayment of borrowings		(1,171)	(149)
Net cash from financing activities		10,944	3,614
Net increase in cash and cash equivalents		3,913	773
Cash and cash equivalents at the beginning of the financial year		3,313	2,540
Cash and cash equivalents at the end of the financial year	9	7,226	3,313

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

**Clean TeQ Holdings Limited**  
**Notes to the financial statements**  
**For the year ending 30 June 2016**

**Note 1. General information**

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

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

Unit 12, 21 Howleys Road  
Notting Hill  
Victoria Australia 3168

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 19 August 2016. The directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Change in accounting policies**

Certain comparative amounts in the statement of profit or loss and other comprehensive income have been reclassified as a result of discontinued operations in the previous financial year (see Note 8).

**(b) 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 \$6,423,000 (30 June 2015: loss of \$9,155,000). We note there were no significant revenues from continuing operations during the financial year. Operational revenues were more than offset by business development and corporate overhead costs. Working capital, being current assets less current liabilities, amounts to a \$9,361,000 surplus (30 June 2015: \$2,820,000 surplus), with cash reserves increasing from \$3,313,000 to \$7,226,000 during the financial year. Net cash outflows from operating activities were \$2,333,000 for the financial year (30 June 2015: \$3,284,000 outflow).

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



**Note 2. Significant accounting policies (continued)**

**(b) Going concern (continued)**

- The Consolidated Entity increased its available cash on hand as at 30 June 2016 to \$7,226,000;
- During the financial year, the Consolidated Entity raised \$12,139,000 in equity capital after issue costs, indicating strong support from investors to invest in the Consolidated Entity and its technologies;
- The Consolidated Entity received a \$1,506,000 cash rebate from the Australian Tax Office for eligible research and development expenditure relating to the 2014 and 2015 financial years. The Consolidated Entity anticipates that a significant proportion of the forecast 2016 financial years' development expenditure, including a large proportion of Syerston testwork and feasibility study expenditure, will also be eligible for the refundable tax offset; and
- The forecast cash flows for the Consolidated Entity indicate a positive cash position for at least the period of 12 months to August 2017.

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 Syerston 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 short term working capital requirements, and has a history of securing such funding as required in the past to support their confidence.

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

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

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

## **Note 2. Significant accounting policies (continued)**

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

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

#### *Historical cost convention*

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

#### *Critical accounting estimates*

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

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

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the Parent Entity is disclosed in note 35.

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

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clean TeQ Holdings Limited as at 30 June 2016 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.

**Note 2. Significant accounting policies (continued)**

**(e) Principles of consolidation (continued)**

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

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

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

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

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

*Transactions eliminated on consolidation*

Intercompany transactions, balances and 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.

## **Note 2. Significant accounting policies (continued)**

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

#### *Associates*

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

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

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

#### *Joint ventures*

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

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

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

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

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

#### *Sale of goods and services*

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

**Note 2. Significant accounting policies (continued)**

**(g) Revenue recognition (continued)**

can be measured reliably. If it is probable that discounts will be granted and the amount can be reliably measured, then the discount is recognised as a reduction of revenue as the sales are recognised.

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

*Rendering of services*

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

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

*Technology licensing income*

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

*Sales of non-current assets*

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

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

*Government grants*

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

**Note 2. Significant accounting policies (continued)**

**(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

## **Note 2. Significant accounting policies (continued)**

### **(h) Income tax (continued)**

assumed from each subsidiary in the tax Consolidated group. Assets or liabilities arising under tax funding agreements with the tax Consolidated entities are recognised as amounts receivable from

or payable to other entities in the tax Consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax Consolidated group member, resulting in neither a contribution by the head Entity to the subsidiaries nor a distribution by the subsidiaries to the head Entity.

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

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

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

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

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

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

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

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

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly.

A provision for impairment of trade receivables is raised when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days



## **Note 2. Significant accounting policies (continued)**

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

overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

### **(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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Consolidated Entity will obtain ownership by the end of the lease term. The estimated useful lives of property, plant and equipment are as follows for the current and preceding financial year:

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



**Note 2. Significant accounting policies (continued)**

**(m) Property, plant and equipment (continued)**

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.

*Research and development*

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be 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 license 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.

## **Note 2. Significant accounting policies (continued)**

### **(o) Intangibles (continued)**

#### *Subsequent expenditure*

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

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

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

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

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

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

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

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

### **(q) Leases**

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

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

At inception or on reassessment of an arrangement that contains a lease, the Consolidated Entity separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Consolidated Entity concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a

## **Note 2. Significant accounting policies (continued)**

### **(q) Leases (continued)**

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.

### **(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.

**Note 2. Significant accounting policies (continued)**

**(t) Finance income and costs**

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

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

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

Interest expense is recognised using the effective interest method. Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

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

**(u) Employee benefits**

*Short-term employee benefits*

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

*Other long-term employee benefits*

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

**Note 2. Significant accounting policies (continued)**

**(u) Employee benefits (continued)**

*Termination benefits*

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

*Defined contribution superannuation expense*

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

*Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees. There were no cash settled share-based payments during the 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 cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

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

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

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

## **Note 2. Significant accounting policies (continued)**

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

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.

**Note 2. Significant accounting policies (continued)**

**(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 Clean TeQ Holdings Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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

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

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

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

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

**(z) Rounding of amounts**

The Company is of a kind referred to in 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.

## **Note 2. Significant accounting policies (continued)**

### **(aa) 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(p)). 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.

### **(ab) New standards and interpretations not yet adopted**

A number of new standards and amendments to standards are effective for annual period beginning after 1 July 2015, however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

#### **IFRS 15 Revenue from Contracts with Customers**

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

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

#### **IFRS 9 Financial Instruments**

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

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



## **Note 2. Significant accounting policies (continued)**

### **(ab) New standards and interpretations not yet adopted (continued)**

#### **IFRS 16 Leases**

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

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

## **Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Share-based payment transactions*

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

#### *Estimation of useful lives of assets*

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

#### *Exploration & Evaluation Assets*

As set out in Note 2(aa) 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.

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

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.

*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 2016, the directors determined that no impairment of the intangible assets be recognised (2015: \$2,751,000). Details of the review, and the assumptions and estimates used, are contained in note 16.

*Recovery of deferred tax assets*

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

*Other non-derivative financial liabilities*

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

**Clean TeQ Holdings Limited**  
**Notes to the financial statements**  
**For the year ending 30 June 2016**

**Note 4. Operating segments**

*Identification of reportable operating segments*

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

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

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

*Types of products and services*

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

Air Purification*	The Company provided a full suite of air purification and odour elimination solutions to municipal and statutory authorities and industrial companies.
Water	The Company's suite of water technologies filter, separate and purify polluted waters for drinking, agriculture, recreation or industrial use.
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 Syerston Project in New South Wales.

\*This division was sold effective 30 June 2015. See Note 8 Discontinued Operations for details.

Information regarding the results of each reportable segment is included below. Performance is measured based on the net result before interest, depreciation, amortisation and tax, as included in the internal management reports that are reviewed by the Consolidated Entity's CEO. Each segment's net result before interest, depreciation, amortisation and tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment pricing is determined on an arm's length basis. The information relating to the performance of the identified segments includes revenues and directly attributable costs and materials. The assets attributed to each division relates to revenue generating assets. All other assets and liabilities are not allocated to specific segments.

*Geographical segments*

Geographically, the Consolidated Entity operates predominately in Australia.

**Clean TeQ Holdings Limited**  
**Notes to the financial statements**  
**For the year ending 30 June 2016**

**Note 4. Operating segments (continued)**

*Major customers*

Major revenue for the year ending 30 June 2016 is derived chiefly from rental income from the Syerston properties and government grants.

*Operating segment information*

	Air Purification*	Metals	Water	Intersegment eliminations/ unallocated**	<b>Total</b>
<b>Consolidated - 2016</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>					
Sales to external customers	-	44	121	44	209
Rental income	-	80	-	-	80
Interest income	-	-	-	110	110
Other revenue	-	430	450	175	1,055
<b>Total revenue</b>	<b>-</b>	<b>554</b>	<b>571</b>	<b>329</b>	<b>1,454</b>
<b>Reportable segment (loss)/profit before interest, depreciation and tax</b>	<b>-</b>	<b>(1,332)</b>	<b>(2,212)</b>	<b>(1,901)</b>	<b>(5,445)</b>
Depreciation and amortisation	-	(18)	(663)	(23)	(704)
Impairment of assets	-	-	-	-	-
Finance costs	-	-	-	(274)	(274)
Profit on sale of investment (note 8)	-	-	-	-	-
<b>Profit/(loss) before income tax expense</b>	<b>-</b>	<b>(1,350)</b>	<b>(2,875)</b>	<b>(2,198)</b>	<b>(6,423)</b>
Income tax expense	-	-	-	-	-
<b>Loss after income tax expense</b>					<b>(6,423)</b>

**Clean TeQ Holdings Limited**  
**Notes to the financial statements**  
**For the year ending 30 June 2016**

**Note 4. Operating segments (continued)**

	Air Purification*	Metals	Water	Intersegment eliminations/ unallocated**	<b>Total</b>
<b>Consolidated - 2016</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>					
Segment assets	-	13,603	5,191	8,235	27,029
<b>Total assets</b>					<b>27,029</b>
<i>Total assets includes:</i>					
Additions of non-current assets (including those acquired in a business combination)	-	2,955	-	-	2,955
<b>Liabilities</b>					
Segment liabilities	-	2,684	-	1,620	4,304
<b>Total liabilities</b>					<b>4,304</b>

\* The change in segment assets and reportable segment profit/(loss) in the Air Purification segment from the last reporting period is attributable to the sale of the Air Purification business as at 30 June 2015. Refer to note 8 – Discontinued Operations.

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

	Air Purification*	Metals	Water	Intersegment eliminations/ unallocated**	<b>Total</b>
<b>Consolidated - 2015</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>					
Sales to external customers	6,935	241	-	-	7,176
Rental income	-	13	-	-	13
Interest income	-	-	-	90	90
Other revenue	-	-	49	397	446
<b>Total revenue</b>	<b>6,935</b>	<b>254</b>	<b>49</b>	<b>487</b>	<b>7,725</b>
<b>Reportable segment (loss)/profit before interest, depreciation and tax</b>	<b>738</b>	<b>(15)</b>	<b>(256)</b>	<b>(4,219)</b>	<b>(3,752)</b>
Depreciation and amortisation	(25)	-	(200)	(999)	(1,224)
Impairment of assets	-	-	(2,751)	-	(2,751)
Finance costs	(24)	-	-	(715)	(739)
Profit on sale of investment (note 8)	-	-	-	338	338
<b>Profit/(loss) before income tax expense</b>	<b>689</b>	<b>(15)</b>	<b>(3,207)</b>	<b>(5,595)</b>	<b>(8,128)</b>
Income tax expense	(97)	-	-	-	(97)
<b>Loss after income tax expense</b>					<b>(8,225)</b>

**Clean TeQ Holdings Limited**  
**Notes to the financial statements**  
**For the year ending 30 June 2016**

**Note 4. Operating segments (continued)**

	Air Purification*	Metals	Water	Intersegment eliminations/ unallocated**	<b>Total</b>
<b>Consolidated - 2015</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>					
Segment assets	-	9,138	5,691	5,154	19,983
<b>Total assets</b>					<b>19,983</b>
<i>Total assets includes:</i>					
Additions of non-current assets (including those acquired in a business combination)	-	3,529	-	-	3,529
<b>Liabilities</b>					
Segment liabilities	-	2,490	1,173	1,550	5,213
<b>Total liabilities</b>					<b>5,213</b>

\* The change in segment assets and reportable segment profit/(loss) in the Air Purification segment from the last reporting period is primarily attributable to the sale of the Air Purification business as at 30 June 2015. Refer to note 8 – Discontinued Operations.

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

**Clean TeQ Holdings Limited**  
**Notes to the financial statements**  
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**Note 5. Revenue**

	<b>Consolidated</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<i>Sales revenue</i>		
Contract revenue	209	231
Government grants	883	35
Rental income	80	13
	<b>1,172</b>	<b>279</b>
<i>Other revenue</i>		
Interest	110	90
Other revenue	172	421
	<b>282</b>	<b>511</b>
<b>Revenue</b>	<b>1,454</b>	<b>790</b>

**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	61	561
<i>Depreciation</i>		
Motor vehicles under lease	5	12
Plant and factory equipment	278	324
Office equipment and furniture	18	37
	<b>301</b>	<b>373</b>
<i>Amortisation</i>		
Capitalised development costs	368	592
Other intangible assets	35	234
	<b>403</b>	<b>826</b>
<b>Total depreciation and amortisation</b>	<b>704</b>	<b>1,199</b>
<i>Employee benefit expenses</i>		
Wages and salaries	1,590	1,326
Employee entitlements expense including movements in provisions for employee entitlements	1	76
Superannuation	175	160

**Clean TeQ Holdings Limited**  
**Notes to the financial statements**  
**For the year ending 30 June 2016**

**Note 6. Expenses (continued)**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Equity settled share based payments	2,239	880
Other costs	286	654
Employee benefit expenses capitalised into development assets	-	(487)
<b>Total employee benefit expenses</b>	<b>4,291</b>	<b>2,609</b>
<i>Rental expense relating to operating leases</i>		
Lease payments	189	233

**Note 7. Income tax benefit**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax benefit:</i>		
Current tax	-	-
Deferred tax – origination and reversal of temporary differences	-	-
<b>Aggregate income tax benefit</b>	<b>-</b>	<b>-</b>
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	(6,423)	(9,155)
Profit before income tax (expense)/benefit from discontinued operations	-	1,027
	<b>(6,423)</b>	<b>(8,128)</b>
<b>Tax at the statutory tax rate of 30%</b>	<b>(1,927)</b>	<b>(2,438)</b>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	2	2
Share-based payments	672	264
Interest expense on promissory note treated as non-deductible	58	-
Change in recognised deductible temporary difference	6	103
Impairment of asset treated as non-deductible	-	825
Tax losses (reinstated) / not brought to account	1,344	1,210
Non-assessable government grant income	(265)	-
Non-deductible R&D expense	454	-
R&D tax credit	(454)	-
Non-deductible amortisation expense	110	34
<b>Income tax benefit</b>	<b>-</b>	<b>-</b>



**Clean TeQ Holdings Limited**  
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**Note 7. Income tax benefit (continued)**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<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*	21,692	38,422
Potential tax benefit @ 30%	6,508	11,527
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	7,097	12,116
Temporary differences not brought to account	903	903

\* The figure presented at 30 June 2015 included \$27,651,000 of carry forward tax losses on the acquisition of the Syerston Project from Ivanhoe Mines Ltd. Further analysis conducted within the 30 June 2016 financial year determined that those tax losses acquired from the Syerston Project would not be able to be viably carried forward and used by the Consolidated Entity.

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

**Note 8. Discontinued operations**

*Description*

Effective 30 June 2015 the Consolidated Entity divested its remaining 59% shareholding in Clean TeQ Aromatrix Pty Ltd to Australia Sunshine Holdings Limited for cash proceeds of \$1,682,000. The divestment allows the Company to focus exclusively on the Company's Water and Metals businesses which are both primarily driven by the Company's proprietary continuous ion exchange technology.

In December 2014, the Consolidated Entity divested 41% of its shareholding in Clean TeQ Air Pty Ltd (the predecessor company to Clean TeQ Aromatrix Pty Ltd) to Aromatrix Technologies (Hong Kong) Ltd as a result of the Aromatrix business acquired (see note 36(i)) and to entities associated with staff of Clean TeQ Air Pty Ltd. Cash proceeds of \$345,000 were received on this transaction. The Consolidated Entity recorded a gain on the divestment of \$1,120,000 directly in equity.

Note that for the current financial year, the Consolidated Entity has not recorded any revenue and expenses from this discontinued operation.

**Clean TeQ Holdings Limited**  
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**Note 8. Discontinued operations (continued)**

*Financial performance information:*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from sale of goods	-	6,935
<b>Total revenue</b>	-	6,935
<b>Expenses</b>		
Inventory write downs	-	(1)
Raw materials and other direct costs	-	(4,188)
Employee benefits expenses	-	(1,242)
Depreciation and amortisation expenses	-	(25)
Legal and professional expenses	-	(126)
Occupancy expenses	-	(145)
Finance costs	-	(24)
Marketing expenses	-	(77)
Other expenses	-	(418)
<b>Total expenses before tax</b>	-	(6,246)
Income tax expense	-	(97)
Net profit after tax from discontinued operations	-	592
Gain on disposal after income tax expense	-	338
Profit after income tax from discontinued operations	-	930

*Effects of disposal on the financial position of the Consolidated Entity:*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Property, plant & equipment	-	(126)
Trade and other receivables	-	(1,990)
Inventories	-	(655)
Goodwill	-	(1,500)
Cash & cash equivalents disposed of	-	(105)
Trade and other payables	-	1,152
Deferred revenue	-	822
Employee entitlements	-	149
Income tax liability	-	97
Subtotal – (assets)/liabilities disposed of	-	2,156
Less: Non-controlling interests	-	(884)
Net (assets) and liabilities - total	-	1,272

**Clean TeQ Holdings Limited**  
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**Note 8. Discontinued operations (continued)**

*Effects of disposal on the financial position of the Consolidated Entity:*

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Consideration received in cash – 59% residual interest	-	1,682
Cash & cash equivalents disposed of	-	(105)
Consideration received in cash for partial disposal – 8% interest	-	345
Total net cash inflow	-	1,922

**Note 9. Current assets – cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	7,226	3,313
Cash on deposit	-	-
Cash on deposit used as security for bank guarantee and credit card facilities - uncommitted	-	-
	7,226	3,313

The effective interest rate on short-term bank deposits at 30 June 2016 was 1.60% (2015: 1.90%). These deposits have a maximum maturity of 90 days of year end. Any balances with maturities exceeding this have been disclosed as other financial assets.

**Note 10. Current assets – trade and other receivables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	49	36
Other receivables	253	487
	302	523

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$nil as at 30 June 2016 (\$28,000 as at 30 June 2015).

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

**Note 10. Current assets – trade and other receivables (continued)**

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

	<b>Consolidated</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
31-60 days	-	28
60-90 days	-	-
90+days	-	-
	<b>-</b>	<b>28</b>

Normal trading terms are 30 days from month end. Amounts outstanding beyond normal trading terms do not have a history of default and thus management is of the view that no debtors are impaired at 30 June 2016 or 30 June 2015 and thus should not be provided for.

**Note 11. Current assets – inventories**

	<b>Consolidated</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Raw materials - at net realisable value	10	10
Finished goods - at cost	86	86
	<b>96</b>	<b>96</b>

Raw materials includes grape skin extract which was initially recognised at a cost of \$598,000 when first acquired pre-2007. At 30 June 2016 the carrying value of grape skin extract is \$10,000 (2015: \$10,000). During the year ending 30 June 2016, management did not choose to write down the value of finished goods (2015: \$85,000).

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**Note 12. Current assets – income tax receivable**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Income tax receivable	2,395	963

Income tax receivable represents the refund due to the Consolidated Entity on expenditure during the current financial year eligible for research and development tax concessions.

**Note 13. Current assets – other financial assets**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash on deposit used as security for bank guarantees	377	25

**Note 14. Non-current assets – other financial assets**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash on deposit used as security for bank guarantees	-	328

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**Note 15. Non-current assets – property, plant and equipment**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Office furniture and equipment - at cost	156	156
Less: Accumulated depreciation	(118)	(100)
	38	56
Motor vehicles - at cost	86	86
Less: Accumulated depreciation	(65)	(60)
	21	26
Factory equipment - at cost	737	737
Less: Accumulated depreciation	(737)	(459)
	-	278
Leasehold improvements - at cost	41	-
Less: Accumulated amortisation	-	-
	41	-
Land – at cost	2,229	2,229
	2,229	2,229
	2,329	2,589

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

**Clean TeQ Holdings Limited**  
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**Note 15. Non-current assets – property, plant and equipment (continued)**

The acquisition of the Syerston 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:

	Factory Equipment	Land	Office Furniture & Equipment	Leasehold Improve- ments	Motor Vehicles	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2014	692	-	94	-	65	851
Additions	31	2,229	1	-	-	2,261
Disposals	(97)	-	(2)	-	(27)	(126)
Write off of assets	-	-	-	-	-	-
Depreciation expense	(348)	-	(37)	-	(12)	(397)
Balance as at 30 June 2015	278	2,229	56	-	26	2,589
Additions	-	-	-	41	-	41
Disposals	-	-	-	-	-	-
Write off of assets	-	-	-	-	-	-
Depreciation expense	(278)	-	(18)	-	(5)	(301)
Balance as at 30 June 2016	-	2,229	38	41	21	2,329

**Note 16. Non-current assets – intangibles**

	Consolidated	
	2016 \$'000	2015 \$'000
Capitalised development costs - at cost	18,212	18,606
Less: Accumulated amortisation and impairments	(8,941)	(8,570)
	9,271	10,033
Patents and trademarks - at cost	713	713
Less: Accumulated amortisation and impairments	(302)	(267)
	411	446
Licence rights - at cost	4,472	4,472
Less: Accumulated amortisation and impairments	(3,051)	(3,051)
	1,421	1,421
	11,103	11,900

During the financial year, the Consolidated Entity transferred \$394,000 (FY15: \$nil) of intangibles to Exploration & evaluation assets.

**Clean TeQ Holdings Limited**  
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**Note 16. Non-current assets – intangibles (continued)**

*Reconciliation of carrying amount*

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

	Capitalised Development Costs	License Rights*	Patents and Trademarks	<b>Total</b>
<b>Consolidated</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance as at 1 July 2014	9,959	3,072	480	13,511
Additions	666	1,300	-	1,966
Impairment charge	-	(2,751)	-	(2,751)
Amortisation expense	(592)	(200)	(34)	(826)
Balance as at 30 June 2015	10,033	1,421	446	11,900
Additions	-	-	-	-
Impairment charge	-	-	-	-
Transfer to Exploration Asset	(394)	-	-	(394)
Amortisation expense	(368)	-	(35)	(403)
Balance as at 30 June 2016	9,271	1,421	411	11,103

\*The licence rights acquired in the year ending 30 June 2015 relate to mining tenements acquired from Ivanhoe Mines Ltd, as part of the Consolidated Group's acquisition of the Syerston Project. The tenements were recorded based on their deemed cost, being their estimated fair value calculated as at the date of acquisition of the assets (refer to note 15).

	Capitalised Development Costs	License Rights*	Patents and Trademarks	<b>Total</b>
<b>Carrying values of Cash Generating Units (CGUs)</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>As at 30 June 2015:</i>				
Water	5,205	121	223	5,549
Metals	4,828	1,300	223	6,351
Air Purification*	-	-	-	-
	10,033	1,421	446	11,900
<i>As at 30 June 2016:</i>				
Water	4,836	121	205	5,162
Metals	4,435	1,300	206	5,941
Air Purification	-	-	-	-
	9,271	1,421	411	11,103

\*The Air Purification CGU was disposed of as at 30 June 2015. Refer to note 8 for further details.

The carrying amount of each CGU inclusive of assets other than intangible assets is \$5,191,000 (2015: \$5,691,000) for Water and \$11,507,000 (2015: \$9,138,000) for Metals.



**Note 16. Non-current assets – intangibles (continued)**

*Amortisation*

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

*Recoverability of development costs*

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

*Impairment test*

As a result of the impairment assessment at 30 June 2016, the directors and management of the Consolidated Entity identified that no impairment charge be recognised (30 June 2015: impairment of \$2,751,000). The impairment loss was recognised in the statement of profit or loss and other comprehensive income.

*Impairment testing of significant CGUs*

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

- the status of an individual project with regard to its stage of project development;
- the extent of any incremental costs expected to be incurred to commercialise the development assets;
- five to twenty year (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 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 a post-tax discount rate of 15% (2015: 15%) for all future cash flows for a 20 year period for the Metals CGU for the Water Purification CGU. The discount rate was used in conjunction with a range of probability factors for both CGUs to reflect the current assessment of the likelihood of success of the forecast cashflows.

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**Note 16. Non-current assets – intangibles (continued)**

Management note that reasonably possible changes in key assumptions include changes to probability factors applied to forecast cash flows, changes in the timing of cash flows and changes to assumed rates of market penetration. The most significant potential changes and their impact, independent of each other, on the carrying values to be tested for impairment are as follows at 30 June 2016:

	<b>Consolidated</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
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 2% 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	-	-
	-	-

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 2016, 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 2016 (30 June 2015: nil).

**Note 17. Non-current assets - Exploration & evaluation assets**

	<b>Consolidated</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
At the beginning of the financial year	246	-
Transfer from intangibles	394	-
Additions	4,657	246
R&D incentive on exploration asset off-set	(2,096)	-
Disposals	-	-
At end of the financial year	3,201	246

*Exploration tenement summary*

<b>License Number</b>	<b>Project Name</b>	<b>Location</b>	<b>Equity Interest</b>	<b>Equity Interest</b>
			<b>2016</b>	<b>2015</b>
EL4573	Syerston	NSW	100%	100%

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**Note 18. Current liabilities – trade and other payables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	412	282
Deferred consideration payable	-	1,171
Other payables	303	325
	<b>715</b>	<b>1,778</b>

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

**Note 19. Current liabilities – employee benefits**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Annual leave	135	129
Long service leave	139	147
	<b>274</b>	<b>276</b>

**Note 20. Deferred revenue**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current</i>		
Government grant*	46	46
<i>Non-Current</i>		
Government grant*	544	590
	<b>590</b>	<b>636</b>

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

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**Note 21. Notes payable**

	<b>Consolidated</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Notes payable	2,684	2,490

As part of the acquisition of the Syerston Project from Ivanhoe Mines Ltd on 31 March 2015, a promissory note was issued by the Consolidated Entity with a face value of \$3,000,000 payable in three years' time and carrying a zero coupon. This promissory note is secured by first ranking mortgages against the real property of the Syerston Project. The promissory note is recognised at its amortised cost of \$2,684,000 (30 June 2015: amortised cost of \$2,490,000).

**Note 22. Non-current liabilities/assets – deferred tax**

	<b>Consolidated Balance as at 30 June 2016</b>				
	<b>Net balance 1 July 2015 \$'000</b>	<b>Recognised in profit or loss \$'000</b>	<b>Recognised directly in equity \$'000</b>	<b>Deferred tax assets \$'000</b>	<b>Deferred tax liabilities \$'000</b>
<i>Deferred tax asset (liability) comprises temporary differences attributable to:</i>					
Amounts recognised in:					
Intangible assets	(2,854)	228	-	-	(2,626)
Accrued expenses	281	(93)	-	188	-
Employee benefits	93	2	-	95	-
Transaction costs on share issues	207	-	52	259	-
Legal and consulting fees	82	(71)	-	11	-
Plant & equipment	-	2	-	2	-
Unused tax losses	2,191	(120)	-	2,071	-
	-	(52)	52		
Tax liabilities (assets) before set-off	-				
Set off deferred tax assets/liabilities	-			2,626	(2,626)
Net tax liabilities (assets)	-			(2,626)	2,626
<i>Movements 2016</i>					
Opening balance	-				
Charges to profit or loss (note 7)	-				
Closing balance	-				

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**Note 23. Non-current liabilities – employee benefits**

	<b>Consolidated</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Annual leave and long service leave	41	33

**Note 24. Equity – issued capital**

	<b>2016 Shares</b>	<b>2015 Shares</b>	<b>Consolidated</b>	
			<b>2016 \$'000</b>	<b>2015 \$'000</b>
Ordinary shares – fully paid	437,052,097	368,765,739	39,856	27,717

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue Price</b>	<b>\$'000</b>
Balance	1 July 2014	241,670,775		17,787
Shares issued through private placement	4 September 2014	2,000,000	\$0.05	100
Shares issued through private placement	8 October 2014	18,685,714	\$0.07	1,308
Shares issued to employees	19 December 2014	241,965	\$0.06	15
Shares issued through private placement	19 December 2014	37,500,000	\$0.06	2,250
Capital raising costs		-	-	(141)
Shares issued as approved by the general meeting	23 February 2015	1,666,667	\$0.06	100
Shares issued as approved by the general meeting	31 March 2015	7,373,053	\$0.14	1,000
Shares issued as approved by the general meeting	11 May 2015	7,449,143	\$0.14	1,050
Shares issued through private placement	15 May 2015	1,246,537	\$0.14	176
Convertible notes converted to equity	20 May 2015	50,931,885	\$0.08	4,072
Balance	30 June 2015	368,765,739		27,717
Shares issued as approved by the general meeting	26 August 2015	49,238,738	\$0.18	8,863
Shares issued through private placement	12 May 2016	19,047,620	\$0.21	4,000
Capital raising costs		-	-	(724)
Balance	30 June 2016	437,052,097		39,856

*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.

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**Note 24. Equity – issued capital (continued)**

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

*Share buy-back*

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

*Capital risk management*

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Consolidated Entity defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends likely to be proposed and paid to ordinary shareholders.

The Board's target is for employees of the Consolidated Entity, excluding the founders, to hold 10 percent of the Company's ordinary shares in due course. At present assuming that all outstanding share options vest and / or are exercised, significantly less than this amount of the shares would be held by the Consolidated Entity's employees.

The Board ultimately seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings, new share issues and the issuing of convertible notes and the advantages and security afforded by a sound capital position. The Consolidated Entity may increase its debt levels if and when required in order to achieve increased returns for shareholders.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

**Note 25. Equity – reserves**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Share based payments reserve	3,302	1,063
	<u>3,302</u>	<u>1,063</u>

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**Note 25. Equity – reserves (continued)**

*Movements in reserves*

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

<b>Consolidated</b>	<b>Foreign Currency Reserve \$'000</b>	<b>Share Based Payments \$'000</b>	<b>Change in Ownership Reserve \$'000</b>	<b>Total \$'000</b>
Balance as at 1 July 2014	-	198	-	198
Gain on sale transactions with equity holders	-	-	1,120	1,120
Lapsed options	-	(158)	-	(158)
Transfer to accumulated losses	-	-	(1,120)	(1,120)
Share based payments	-	1,023	-	1,023
Balance as at 30 June 2015	-	1,063	-	1,063
Gain on sale transactions with equity holders	-	-	-	-
Lapsed options	-	-	-	-
Transfer to accumulated losses	-	-	-	-
Share based payments	-	2,239	-	2,239
Balance as at 30 June 2016	-	3,302	-	3,302

**Note 26. Equity – accumulated losses**

	<b>Consolidated</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Accumulated losses at the beginning of the financial year	(14,010)	(6,905)
Loss after income tax expense for the year	(6,423)	(8,225)
Transfer from change of ownership reserve	-	1,120
Transfer from share based payments reserve	-	-
	<b>(20,433)</b>	<b>(14,010)</b>

## **Note 27. Equity – dividends**

### *Dividends*

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

### *Franking credits*

Franking credits available for subsequent financial years based on a tax rate of 30%

<b>Consolidated</b>	
<b>2016</b>	<b>2015</b>
<b>\$'000</b>	<b>\$'000</b>
-	-

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

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

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head Entity in the tax Consolidated Entity has assumed the benefit of franking credits of \$nil (2015: \$nil).

## **Note 28. Financial instruments**

### ***Financial risk management objectives***

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

Risk management is carried out by senior finance executives under policies approved by the Board of Directors. These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and 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.



**Note 28. Financial instruments (continued)**

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.

**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 significant debt subject to variable interest rates. Accordingly the Consolidated Entity has limited exposure to interest rate movements. The Consolidated Entity has a term deposit facility used as security for bank guarantees.

*Fair value sensitivity analysis for fixed-rate instruments*

The Consolidated Entity does not account for any fixed-rate financial assets or liabilities at fair value through profit or loss, and the Consolidated Entity does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss. A change of 100 basis points in interest rates would have increased or decreased equity by approximately nil after tax (2015: \$nil).

**Credit risk**

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

*Trade and other receivables*

The Consolidated Entity's exposure to credit risk relating to trade receivables of \$49,000 (2015: \$36,000) is influenced mainly by the individual characteristics of each customer. The demographics of the Consolidated Entity's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Geographically there is an Australian concentration of credit risk.

The Consolidated Entity is exposed to significant concentrations of credit risk in relation to project revenue, due to the high values of progress 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, which is greater than a predetermined value, must be approved by the Board prior to the contract being signed.

**Note 28. Financial instruments (continued)**

Many of the Consolidated Entity's customers are typically large multinationals and government organisations. Losses relating to recovery of amounts owing to the Consolidated Entity have occurred very infrequently since the inception of the business. The majority of sales transactions undertaken by the Consolidated Entity require the customer to make payments as contract milestones are achieved. Failure of the customer to make payment by the due date will result in the further supply of goods and services being put on hold until such time as payment is received by the Consolidated Entity.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal Entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. The Consolidated Entity's trade and other receivables relate mainly to the Group's wholesale customers who are predominantly made up of public companies and government bodies. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis with approval of executive management. From inception to the date of this report, the Consolidated Entity has only ever had two minor trade bad debts. Refer to note 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.

***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.

**Clean TeQ Holdings Limited**  
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**Note 28. Financial instruments (continued)**

*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						
<b>Consolidated - 2016</b>	<b>Carrying amount \$'000</b>	<b>1 year or less \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Total \$'000</b>
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	412	412	-	-	-	412
Other payables	303	303	-	-	-	303
Notes payable	2,684	-	3,000	-	-	3,000
<i>Interest – bearing –fixed rate</i>						
Deferred consideration payable	-	-	-	-	-	-
<b>Total non-derivatives</b>	<b>3,399</b>	<b>715</b>	<b>3,000</b>	<b>-</b>	<b>-</b>	<b>3,715</b>

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

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

**Note 28. Financial instruments (continued)**

***Fair value of financial instruments***

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

Borrowings are recognised at fair value of consideration received, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method. In estimating amortised cost the Consolidated Entity takes into account its borrowing capacity and the source of its borrowings. The categorisation of the borrowings based on the fair value hierarchy is detailed in note 29.

**Note 29. 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	Fair value			Total
		Level 1	Level 2	Level 3	
Consolidated - 2016	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets not measured at fair value</i>					
Cash and cash equivalents	7,226	-	-	-	-
Trade and other receivables	302	-	-	-	-
Other financial assets	377	-	-	-	-
	7,905	-	-	-	-
<i>Financial liabilities not measured at fair value</i>					
Trade and other payables	(715)	-	-	-	-
Other borrowings	-	-	-	-	-
Notes payable	(2,684)	-	(2,691)	-	(2,691)
	(3,399)	-	(2,691)	-	(2,691)

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**Note 29. Fair value measurement (continued)**

Consolidated - 2015	Carrying amount \$'000	Fair value			Total \$'000
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<i>Financial assets not measured at fair value</i>					
Cash and cash equivalents	3,313	-	-	-	-
Trade and other receivables	523	-	-	-	-
Other financial assets	353	-	-	-	-
	4,189	-	-	-	-
<i>Financial liabilities not measured at fair value</i>					
Trade and other payables	(1,778)	-	-	-	-
Other borrowings	-	-	-	-	-
Notes payable	(2,490)	-	(2,490)	-	(2,490)
	(4,268)	-	(2,490)	-	(2,490)

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*

Type	Valuation technique	Significant unobservable inputs
Promissory notes	Discounted cash flows	Risk adjusted discount rate of 6.69% (2015: 6.82%)

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.

**Note 30. Key management personnel disclosures**

*Directors*

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

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

**Note 30. Key management personnel disclosures (continued)**

Ian Finlayson (Independent Non-Executive Director)

*Other key management personnel*

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

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:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	768,182	802,815
Post-employment benefits	65,018	79,731
Long-term benefits	10,595	5,036
Termination benefits	-	264,583
Share-based payments	1,276,990	678,971
	<b>2,120,785</b>	<b>1,831,136</b>

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

Information regarding individual directors and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report. Apart from the details disclosed in this note and note 34, no director has entered into a material contract with the Consolidated Entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at the year end.

**Note 31. Remuneration of auditors**

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

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - KPMG</i>		
Audit or review of the financial statements	60,000	126,493
Audit-related services	-	-
	<b>60,000</b>	<b>126,493</b>
<i>Other services - KPMG</i>		
Advisory services	-	-
Taxation services	88,650	97,732
	<b>88,650</b>	<b>97,732</b>
	<b>148,650</b>	<b>224,225</b>

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**Note 32. Contingent liabilities**

The Consolidated Entity has a contingent liability, incurred in the previous financial year ended 30 June 2015, to pay a 2.5% gross revenue royalty on output mined from the Syerston Project. This royalty is payable to Ivanhoe Mines, and is payable by Scandium 21 Pty Ltd, a company within the consolidated group. This royalty was part of the consideration paid for the acquisition of the Syerston Project from Ivanhoe Mines, on 31 March 2015.

**Note 33. Commitments**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<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	75	212
One to five years	-	636
More than five years	-	-
	75	848

During the financial year, the Consolidated Entity has entered into a binding agreement with Jinzhong Hoyo Municipal Urban Investment & Construction Co., Ltd ('Hoyo') to establish a Chinese incorporated Joint Venture ('JV Company'). The JV Company, Shanxi Hoyo Clean TeQ Environmental Company, will pursue water treatment opportunities in China's Shanxi Province utilising Clean TeQ's water purification technology.

The JV Company is committed to incur capital expenditure of USD\$1,200,000 (2015: \$nil), of which the Consolidated Entity's share is USD\$600,000 (2015: \$nil). These commitments are expected to be settled by December 2016.

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**Note 34. Related party disclosures**

*Parent Entity*

Clean TeQ Holdings Limited is the Parent Entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 37.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 30 and the remuneration report in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Consulting fees paid to an entity associated with Ian Knight	-	6,421
These consulting fees were entered into on an arm's length basis.		

*Receivable from and payable to related parties*

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

*Loans to/from related parties*

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

**Note 35. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit(loss) after income tax	(2,452)	(2,095)
Total comprehensive income/(loss)	(2,452)	(2,095)



**Note 35. Parent entity information (continued)**

*Statement of financial position*

	<b>Parent</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Total current assets	-	-
Total assets	40,032	25,324
Total current liabilities	-	-
Total liabilities	5,253	2,471
Equity		
Issued capital	39,856	27,717
Share-based payments reserve	3,302	1,063
Accumulated losses	(8,379)	(5,927)
Total equity	34,779	22,853

*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 2016 and 30 June 2015, 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 2016 and 30 June 2015.

*Capital commitments - Property, plant and equipment*

The Parent Entity had no capital commitments for property, plant and equipment at as 30 June 2016 and 30 June 2015, or since the end of the financial year.

**Clean TeQ Holdings Limited**  
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**Note 35. Parent entity information (continued)**

*Significant accounting policies*

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

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

**Note 36. Business combinations**

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

As at 30 June 2015, Clean TeQ Holdings Limited had disposed of its interest in Clean TeQ Aromatrix Pty Ltd and no longer exercised effective control of the subsidiary. Refer to Note 8 Discontinued operations for further details.

**Note 37. 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	
		2016 %	2015 %
Clean TeQ Limited	Australia	100%	100%
Clean TeQ Metals Pty Ltd	Australia	100%	100%
Clean TeQ Water Pty Ltd	Australia	100%	100%
Clean TeQ Air Pty Ltd*	Australia	-%	-%
Associated Water Pty Ltd	Australia	100%	100%
LiXiR Functional Foods Pty Ltd	Australia	100%	100%
Clean World Japan Co Ltd***	Japan	100%	100%
Scandium Holding Company Pty Ltd**	Australia	100%	100%
Scandium21 Pty Ltd**	Australia	100%	100%
Syerston Scandium Pty Ltd**	Australia	100%	100%
Uranium Development Pty Ltd**	Australia	100%	100%
CLQW HK Limited	Hong Kong	100%	-%

\*This company changed its name to Clean Teq Aromatrix Pty Ltd in January 2015. The whole shareholding in the company was sold as at 30 June 2015. Refer note 8 for details.

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

\*\*\* Liquidated on 9 February 2016

**Clean TeQ Holdings Limited**  
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**Note 38. Deed of cross guarantee**

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

Clean TeQ Holdings Limited  
Clean TeQ Limited

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

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

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

**Statement of profit or loss and other comprehensive income**

	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Revenue	1,183	777
Other income	-	-
Profit on intra group disposal	-	338
Changes in finished goods and inventory write downs	-	(85)
Raw materials and other direct costs	(61)	(567)
Employee benefits expenses	(4,028)	(2,837)
Impairment of investment in subsidiary	-	(3,749)
Depreciation and amortisation expenses	(435)	(697)
Legal and professional expenses	(511)	(628)
Occupancy expenses	(329)	(296)
Marketing expenses	(520)	(406)
Impairment of loan	(326)	-
Other expenses	(764)	(543)
Finance costs	(274)	(715)
<b>Loss before income tax (expense)/benefit</b>	<b>(7,183)</b>	<b>(9,408)</b>
Income tax (expense)/benefit	-	(23)
<b>Loss after income tax (expense)/benefit</b>	<b>(6,065)</b>	<b>(9,431)</b>
Other comprehensive income for the year, net of tax	-	-
<b>Total comprehensive income for the year</b>	<b>(6,065)</b>	<b>(9,431)</b>

**Clean TeQ Holdings Limited**  
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**Note 38. Deed of cross guarantee (continued)**

	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>Equity – retained profits</b>		
Retained profits/(accumulated losses) at the beginning of the financial year	(14,700)	(6,389)
Loss after income tax (expense)/benefit	(6,065)	(9,431)
Transfer to Accumulated Losses	-	1,120
Transfer from options reserve	-	-
Accumulated losses at the end of the financial year	(20,765)	(14,700)
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	7,192	3,283
Trade and other receivables	972	414
Inventories	96	96
Income tax receivable	2,395	963
Other financial assets	377	25
	11,032	4,781
<b>Non-current assets</b>		
Receivables	7,222	2,973
Other financial assets	-	329
Plant and equipment	75	107
Intangible assets	9,805	10,600
Investment in subsidiary company	253	251
Other	-	248
	17,355	14,508
<b>Total assets</b>	28,387	19,289
<b>Current liabilities</b>		
Trade and other payables	2,405	1,774
Employee benefits	274	276
Deferred revenue	46	46
	2,725	2,096

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**Note 38. Deed of cross guarantee (continued)**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Statement of financial position (continued)</b>		
<b>Non-current liabilities</b>		
Deferred revenue	544	590
Notes payable	2,684	2,490
Employee benefits	41	33
	<b>3,269</b>	<b>3,113</b>
<b>Total liabilities</b>	<b>5,994</b>	<b>5,209</b>
Net assets	<b>22,393</b>	<b>14,080</b>
<b>Equity</b>		
Issued capital	39,856	27,717
Reserves	3,302	1,063
Accumulated losses	(20,765)	(14,700)
<b>Total equity</b>	<b>22,393</b>	<b>14,080</b>

**Note 39. Events after the reporting period**

Apart from the matters referred to above, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

**Clean TeQ Holdings Limited**  
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**Note 40. Reconciliation of cash used in operating activities**

	Note	Consolidated	
		2016 \$'000	2015 \$'000
Loss after income tax expense for the year		(6,423)	(8,225)
Adjustments for:			
Depreciation, amortisation and impairment	6	704	3,975
Share-based payments	6	2,239	880
Impairment of loan	6	326	-
Gain on sale of discontinued operation	8	-	(338)
Write down of stock on hand	11	-	85
Non-cash finance costs		194	350
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		(105)	(1,724)
Decrease/(increase) in other assets		-	-
Decrease in inventories		-	103
Decrease/(increase) in income tax refund due net of capitalised research and development		664	-
(Increase)/decrease in accrued revenue		(46)	482
Increase/(decrease) in trade and other payables		108	929
Increase/(decrease) in employee benefits		6	102
Increase/(decrease) in tax payable (discontinued operation)		-	97
Net cash used in operating activities		(2,333)	(3,284)

**Note 41. Earnings per share**

	Consolidated	
	2016 \$'000	2015 \$'000
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Clean TeQ Holdings Limited	(6,423)	(9,155)

**Clean TeQ Holdings Limited**  
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**Note 41. Earnings per share (continued)**

	<b>2016 Number</b>	<b>2015 Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	412,872,218	286,131,872
Weighted average number of ordinary shares used in calculating diluted earnings per share	412,872,218	286,131,872

	<b>2016 Cents</b>	<b>2015 Cents</b>
Basic earnings per share	(1.56)	(3.20)
Diluted earnings per share	(1.56)	(3.20)

	<b>2016 \$'000</b>	<b>Consolidated 2015 \$'000</b>
<i>Earnings per share for loss from discontinued operations</i>		
Profit after income tax attributable to the owners of Clean TeQ Holdings Limited	-	930

	<b>2016 Number</b>	<b>2015 Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	412,872,218	286,131,872
Weighted average number of ordinary shares used in calculating diluted earnings per share	412,872,218	286,131,872

	<b>2016 Cents</b>	<b>2015 Cents</b>
Basic earnings per share	0.00	0.33
Diluted earnings per share	0.00	0.33

**Clean TeQ Holdings Limited**  
**Notes to the financial statements**  
**For the year ending 30 June 2016**

**Note 41. Earnings per share (continued)**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share for loss</i>		
Profit after income tax attributable to the owners of Clean TeQ Holdings Limited	(6,423)	(8,225)

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	412,872,218	286,131,872
Weighted average number of ordinary shares used in calculating diluted earnings per share	412,872,218	286,131,872

	<b>2016</b>	<b>2015</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(1.56)	(2.87)
Diluted earnings per share	(1.56)	(2.87)

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 42. 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:



**Clean TeQ Holdings Limited**  
**Notes to the financial statements**  
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**Note 42. Share-based payments (continued)**

**2016**

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2010*	01/07/2015	\$0.3400	10,000	-	-	(10,000)	-
30/06/2011*	30/06/2016	\$0.3955	500,000	-	(200,000)	(300,000)	-
15/11/2012*	30/11/2015	\$0.1900	1,500,000	-	-	(1,500,000)	-
19/12/2014	19/06/2017	\$0.1155	2,000,000	-	-	-	2,000,000
19/12/2014	19/06/2017	\$0.1455	2,000,000	-	-	-	2,000,000
25/02/2015	25/02/2018	\$0.1574	8,000,000	-	-	-	8,000,000
01/03/2015	01/03/2018	\$0.1495	6,000,000	-	-	-	6,000,000
06/07/2015	30/06/2018	\$0.3010	-	1,000,000	-	-	1,000,000
20/11/2015	30/06/2018	\$0.2305	-	8,000,000	-	-	8,000,000
20/11/2015	31/03/2018	\$0.1450	-	2,000,000	-	-	2,000,000
20/11/2015	30/11/2018	\$0.2712	-	3,500,000	-	-	3,500,000
16/05/2016	16/05/2019	\$0.2820	-	5,000,000	-	-	5,000,000
			20,010,000	19,500,000	(200,000)	(1,810,000)	37,500,000
Weighted average exercise price:			\$0.1581	\$0.2459	\$0.3955	\$0.2249	\$0.1993

\*Denotes options expired during the year

The weighted average number of years for share options issued under the Plan is 2.83 years (2015: 2.73 years).

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

For the options granted during the current financial period, a Black-Scholes pricing model was used to value the options. The valuation model inputs used to determine the fair value at the grant date are as follows:

<b>2016</b>							
Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free Interest rate	Fair value at grant date
06/07/2015	30/06/2018	\$0.23	\$0.30	81.57%	-%	1.93%	\$0.011
20/11/2015	30/06/2018	\$0.18	\$0.23	83.74%	-%	2.14%	\$0.085
20/11/2015	31/03/2018	\$0.18	\$0.15	83.10%	-%	2.14%	\$0.102
20/11/2015	30/11/2018	\$0.18	\$0.27	82.20%	-%	2.14%	\$0.083
16/05/2016	16/05/2019	\$0.31	\$0.28	84.40%	-%	2.28%	\$0.177

**Note 42. Share-based payments (continued)**

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

**2016**

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
08/07/2015	01/07/2018	\$0.00	-	1,674,416	-	(80,000)*	1,594,416
20/11/2015	01/07/2018	\$0.00	-	880,000	-	-	880,000
16/05/2016	01/07/2019	\$0.00	-	1,756,281	-	-	1,756,281
			-	4,310,697	-	(80,000)	4,230,697

\*Performance rights forfeited as the employee ceased employment.

The performance rights have the following vesting conditions:

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

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

**2016**

Grant date	Expiry date	Share price at grant date	Risk-free Interest rate	Expected volatility	Dividend yield	Vesting probability	Fair value at grant date
08/07/2015	01/07/2018	\$0.23	2.07%	84.00%	-%	35.28%	\$0.086
20/11/2015	01/07/2018	\$0.19	2.13%	83.50%	-%	35.28%	\$0.065
16/05/2016	01/07/2019	\$0.35	1.56%	93.44%	-%	36.02%	\$0.126

**Clean TeQ Holdings Limited**  
**Directors' declaration**  
**30 June 2016**

In the directors' opinion:

- the attached Consolidated financial statements and notes thereto, and the Remuneration report in the Directors' reports, comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached Consolidated financial statements and notes thereto, comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2(c) to the financial statements;
- the attached Consolidated financial statements and notes thereto and the Remuneration report in the Directors' reports, give a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 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



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Sam Riggall  
Chairman and Chief Executive Officer

19 August 2016  
Melbourne

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

We have audited the accompanying financial report of Clean TeQ Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 42 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(c), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

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

*Auditor's opinion*

In our opinion:

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

*Emphasis of matter - going concern*

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

**Report on the remuneration report**

We have audited the Remuneration Report included in pages 11 to 23 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Clean TeQ Holdings Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG



Dana Bentley

*Partner*

Melbourne

19<sup>th</sup> August 2016

**Clean TeQ Holdings Limited**  
**Shareholder information**  
**30 June 2016**

The information below is current as at 31 July 2016.

**Distribution of equity securities**

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

	<b>Number of holders of ordinary shares</b>	<b>Number of holders of options over ordinary shares</b>	<b>Number of holders of convertible notes</b>
1 to 1,000	120	-	-
1,001 to 5,000	527	-	-
5,001 to 10,000	455	-	-
10,001 to 100,000	1,379	1	-
100,001 and over	385	15	-
	<b>2,866</b>	<b>16</b>	<b>-</b>
The number of shareholders holding less than a marketable parcel of ordinary shares:	<b>135</b>		



**Clean TeQ Holdings Limited**  
**Shareholder information**  
**30 June 2016**

**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of fully paid ordinary shares as at 31 July 2016 are listed below:

<b>Rank</b>	<b>Name of Share Holder</b>	<b>Number of Shares Held</b>	<b>% of Total Shares Issued</b>
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	85,161,596	19.48
2	CITICORP NOMINEES PTY LIMITED	23,272,144	5.32
3	THIERVILLE PTY LTD <THE STAR SUPER FUND A/C>	23,106,120	5.28
4	MR GREGORY LEONARD TOLL + MRS MARGARET ESTELLE TOLL <TOLL S/F A/C>	14,017,765	3.21
5	DAK DRAFTING SERVICES PTY LTD <PETER DIAMOND FAMILY A/C>	13,500,000	3.09
6	GASMERE PTY LTD	8,311,888	1.90
7	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	7,866,598	1.80
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	7,735,326	1.77
9	MR PETER JOHN DIAMOND + MRS DIANA ELIZABETH DIAMOND <PETER&DIANA DIAMOND S/F A/C>	7,500,000	1.72
10	SALITTER PTY LTD <THE SALITTER A/C>	6,253,304	1.43
11	JEREMY'S HAVEN PTY LTD	5,690,310	1.30
12	MR DAVID NEVILLE COLBRAN	5,364,950	1.23
13	THREE ZEBRAS PTY LTD <THE JUDD FAMILY A/C>	5,000,000	1.14
14	MR RICHARD ARMSTRONG CALDOW <THE LOOSE GOOSE FAMILY A/C>	4,850,000	1.11
15	THIERVILLE PTY LTD	4,550,801	1.04
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,313,104	0.99
17	MAL CLARKE & ASSOCIATES PTY LTD <MAL CLARKE FAMILY A/C>	4,029,985	0.92
18	TT NICHOLLS PTY LTD <SUPERANNUATION A/C>	3,786,000	0.87
19	MR DAVID NEVILLE COLBRAN	3,695,050	0.85
20	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	3,148,122	0.72
<b>Total – Top 20 holders of Ordinary Fully Paid Shares</b>		241,153,063	55.17
<b>Total – Remaining Holders Balance</b>		195,899,034	44.83

**Clean TeQ Holdings Limited**  
**Shareholder information**  
**30 June 2016**

*(Unquoted equity securities)*

	<b>Number on issue</b>	<b>Number of holders</b>
Options over ordinary shares with various exercise prices and expiry dates	37,500,000	16

**Substantial holders**

Substantial holders in the Company are set out below:

	<b>Ordinary Shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
<b>Name of Share Holder</b>		
JP Morgan Nominees Australia Pty Ltd	85,161,596	19.48
Peter Voigt and Thierville Pty Ltd	27,725,794	6.34
Citicorp Nominees Pty Limited	23,272,144	5.32
Peter Diamond and Dak Drafting Services Pty Ltd (Peter Diamond Family A/C)	21,000,000	4.81

**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.