

CLEAN TEQ CEO'S REPORT

As at 31 December 2013

Clean TeQ has made an operating loss for the half-year, however the strength of the current pipeline of projects under negotiation gives us confidence that solid increases in revenue will be reported in forthcoming periods. Significant progress has been made in the sectors of Water in Mining, and Coal Seam Gas (CSG).

Financial Performance

| | Half year ended 31 December 2013 \$'000 | Half year ended 31 December 2012 \$'000 | Half year ended 31 December 2011 \$'000 |
|--|---|---|---|
| Revenue* | 4,519 | 3,880 | 4,425 |
| Earnings before Interest, Tax, Depreciation and Amortisation* | (1,882) | (2,958) | 247 |
| Net Profit / (Loss) After Tax | (2,468) | (1,984) | 107 |

*From continuing operations

The financial result, a net loss of \$2.468m, was a reflection of difficult trading conditions in the Air industry, largely brought about by the slowdown in spending associated with the recent federal election. A delay in the expected award of a significant water project has also caused slippage (but not shrinkage) of revenue. As at 31 December 2013 the Company had \$1.1mil in cash.

Air division

Significant cost control and improved project management measures have been implemented in the Air division which have prevented the recurrence of cost overruns that have been experienced in the past. Best efforts are being made to maintain margins in a very competitive and price-sensitive market. Clean TeQ remains the Australian market leader in biological odour control, and is looking to expand the Company's offering via both R&D and the Licensing of complementary technologies.

The biggest opportunity for the Air division lies with the possibilities for international expansion. Pollution in China is highly topical, and several Asian partners have been engaged for partnership discussion in the last few months.

Water division

A strong emphasis has been placed on the commercialization of the Company's Ion Exchange technology for the treatment of water.

Key initial markets include mining water and the produced water coming from coal seam gas operations. Significant headway has been made in these areas, and the Company expects to secure commercial deals in the near future.

The Company made the significant decision during the year to buy back the 50% holding in Associated Water previously held by Nippon Gas. Payment of \$2mil for this shareholding will be paid in two tranches over the next 18 months.

The successful results coming from the Company's pilot plant in Queensland gives us confidence that revenue will flow in the near term from our CSG activities. General sentiment is that a decentralized approach to water treatment is imminent, and that our technology is well placed to capitalize on such a development.

International discussions are underway with mining customers that have sizable budgets for water treatment. The feedback received from test-work has given us confidence that we are well-positioned once we have achieved market validation for our technology.

Resource recovery

A significant breakthrough was achieved during the half-year with our partner Ishihara Sangyo Kaisha Ltd (ISK). Using our technology for primary extraction and concentration, test work was able to achieve 99.9% purity of Scandium from the waste product Titanium Dioxide. This is expected to lead to the order of a pilot plant in preparation for going into full production.

Clean TeQ has negotiated with Nippon Gas to forgo the previously contracted License fee as part of its broader restructure of the Nippon Gas relationship. The Company now expects to source income from this technology via an annuity royalty stream.

During the half year an Option was taken for the purchase of a copper mine in Leigh Creek. Our technology was successful in the extraction of copper from the tailings, but the decision was made not to proceed with the project after the quantities of copper available were lower than anticipated.

High level discussions with Ivanhoe Mines are progressing with a view to evaluating the technology for metal recovery from tailings dams.

Board

In conjunction with the recent investment by Mr Robert Friedland, Sam Riggall has taken over as Chairman of Clean TeQ, with Greg Toll choosing to step down and then resign from the Board. The Board and Management of Clean TeQ congratulates and thanks Greg for his tireless efforts, and for setting such a good foundation for the Company to grow.

Cory Williams
Chief Executive Officer