

Clean TeQ signs ground-breaking Heads of Agreement in China to establish local joint venture for water treatment

Joint venture to open opportunities for large-scale projects in China deploying Clean TeQ's unique technology platform

Clean TeQ is pleased to announce the signing of a Heads of Agreement with the Shanghai Investigation, Design and Research Institute (SIDRI) for the deployment of Clean TeQ's unique proprietary water treatment technologies in China.

The Heads of Agreement lays the foundations for a joint venture company to be established in China, owned 55% by SIDRI and 45% by Clean TeQ. The joint venture will be responsible for leveraging the cost and environmental benefits of Clean TeQ's innovative continuous ion exchange technology to solve the problems of degrading fresh water quality in China's rivers, lakes and groundwater systems.

At the signing ceremony in Shanghai, Clean TeQ's Chairman, Sam Riggall, commented, "We are privileged to have the opportunity to work with one of China's most respected research, design and engineering institutes. Our respective organizations have come to understand each other's desire to be at the forefront of solving China's water problems. We look forward to working with SIDRI to create a new water company that will achieve success through technical innovation."

SIDRI specializes in the design and delivery of engineering services focused on its four major businesses - water conservancy and treatment, hydropower, renewable energy and environmental engineering. SIDRI is majority-owned by China Three Gorges Corporation, the state-owned Chinese power company responsible for construction of the Three Gorges Dam Project (the world largest hydroelectric power plant) and one of the world's largest energy companies. SIDRI's other shareholders are the Chinese Government's Ministry of Water Resources and the Shanghai Municipal People's Government. (<http://en.sidri.com/Index.aspx>)

The signing of the Heads of Agreement was the culmination of an extensive due diligence process by SIDRI to evaluate the technical feasibility and commercial application of Clean TeQ's unique proprietary technologies to specific China-focused water problems. This included site visits to Clean TeQ's R&D facilities in Australia, as well as inspection by SIDRI's engineering team of our piloting projects and plants.



Signing ceremony in Shanghai with President Shi Xiaoqiang and Sam Riggall

Heads of Agreement

The Heads of Agreement provides a stepwise approach to a collaborative partnership in China. Its key terms are as follows:

- A joint venture will be established (SIDRI 55%, CLQ 45%) on the completion of the commercial trial demonstrating the technical and commercial viability of Clean TeQ's ion exchange technologies. The commercial trial project has been selected by the parties, with design and engineering work underway.
- At establishment of the joint venture SIDRI shall also be entitled to invest in CLQ shares through a strategic placement. The terms of the placement, including price and quantum, are to be agreed at that time.
- Key principles concerning governance and financing of the joint venture have been agreed and are reflected in the Heads of Agreement.
- The joint venture will build technical capability through the establishment of state of the art research facilities and training of its staff for servicing its projects in China. Clean TeQ personnel will provide the necessary support to build that capability.
- SIDRI and Clean TeQ shall establish a joint management team for the joint venture to identify water treatment opportunities throughout China and manage all business processes, from design to construction and operation.
- The parties will take all necessary action to protect the intellectual property of the joint venture in China and elsewhere.

Clean TeQ's immediate priority will be to demonstrate the substantial technical and economic benefits of its technology in the commercial trial. When the project is proven successful, it will be transferred to the newly-created joint venture and all future projects will be channeled through this joint venture.

China's Water Crisis

The availability of clean water in China has reached a crisis point. With rapid urbanization of the Chinese economy, fresh water availability and quality is becoming a major impediment to economic growth and social mobility. Two-thirds of China's provinces have renewable water resources per capita that are lower than those experienced in much of the Middle East. Of these provinces, approximately half account for 50% of China's industrial output and almost 40% of its agricultural output. (see <http://chinawaterrisk.org/>)

The cities of Beijing, Tianjin and Shanghai are symptomatic of the pressures that urbanization has placed on the country's water resources. Available renewable water resources in these cities are similar to those in Palestine, Jordan and Saudi Arabia, and declining annually.

The political response has been swift and decisive, elevating water conservancy and treatment as one of the central priorities of the government. In a recent announcement Li Pumin, General Secretary of the National Development and Reform Commission, indicated China is investing over 600 billion yuan (\$98 billion) in 172 key projects in water conservation. Projects such as the "Five Waters" Program in Zhejiang Province are an indication of the commitment to this major water program.

In addition, the private sector is also investing heavily to meet the increasingly stringent regulation on wastewater discharge, much of which is aimed at introducing technologies to prevent contaminants from industry and agriculture entering the waterways and to improve the effectiveness of water and wastewater treatment.

Given this environmental and political backdrop, Clean TeQ believes that the opportunity to apply its technology in China is significant. Clean TeQ has recently participated in the Austrade Five Rivers Mission and visited industrial and wastewater facilities in Shanghai, Hangzhou and Jiaxing. Our team has identified several projects in areas where Clean TeQ believes it can apply its innovative approaches to solving water problems in a more technically robust and cost effective way.

Clean TeQ's CEO, Cory Williams, commented, "The partnership with SIDRI is ground breaking from both a political and commercial perspective for Clean TeQ. Politically, the transfer of cutting-edge Australian technology, expertise and know-how to solve one of the world's great environmental problems validates the on-going investment in R&D that Clean TeQ has made over the past decade. This is a watershed example of technological diplomacy at work in a globalized world. Commercially, the partnership will facilitate a more rapid deployment of our ion exchange technologies and open up opportunities to participate in projects on a scale that is truly unique."



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About Clean TeQ Holdings Limited (ASX: CLQ) - Clean TeQ is a world leader in mine water treatment and resource recovery technology using its proprietary Clean-iX[®] continuous ion exchange technology. Based in Melbourne Australia, entrepreneur, Mr Robert Friedland became the company's major shareholder in August 2013.

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