

Melbourne, 23<sup>rd</sup> October, 2015

## Quarterly Activities Report - September 2015

<p><b>Clean TeQ Holdings Limited</b> ACN: 127 457 916 (ASX: CLQ)</p> <p><b>Corporate Information:</b></p> <p>418.0M ordinary shares 21.0M unlisted options 1.7M performance rights \$8.9M cash at bank</p> <p><b>Directors:</b></p> <p>Chairman and CEO Sam Riggall</p> <p>Executive Director Peter Voigt</p> <p>Non-Executive Director Roger Harley</p> <p>Non-Executive Director Ian Knight</p> <p>Non-Executive Director Eric Finlayson</p> <p><b>Company Secretary:</b> Melanie Leydin</p> <p><b>Contact Details:</b></p> <p>Ferntree Business Park 2 Acacia Place Notting Hill VIC 3168</p> <p>PO Box 227 Mulgrave VIC 3170</p> <p>P: +61(0)3 9797 6700 F: +61(0)3 9706 8344 E: <a href="mailto:info@cleanteq.com">info@cleanteq.com</a> W: <a href="http://www.cleanteq.com">www.cleanteq.com</a></p>	<h3>Highlights</h3> <ul style="list-style-type: none"><li>• <b>Commencement of scandium recovery pilot program to process Syerston ore</b></li><li>• <b>Entitlement offer and placement completed to raise \$8.86 million</b></li><li>• <b>Board capability expanded via appointment of Eric Finlayson as non-executive director</b></li><li>• <b>\$454,536 cash rebate received for eligible research and development expenditure in FY2014</b></li></ul> <h3>Clean TeQ Overview</h3> <p>Clean TeQ Holdings Limited (<b>Clean TeQ</b> or <b>Company</b>) is a leader in environmental innovation. Our vision is to create a globally significant business which is focused on providing clean solutions to a range of industries using our proprietary Clean-iX<sup>®</sup> continuous ion exchange technology. We are focused on the markets and ventures where our unique technology is best placed to unlock significant long term value for shareholders – metals recovery and industrial water purification.</p> <p><b>Metals Recovery</b> – The Company’s Clean-iX<sup>®</sup> Continuous Ion Exchange technology is an innovative hydrometallurgical process for the extraction and purification of a range of valuable metals from slurries and solutions that are not amenable to conventional separation.</p> <p>Clean TeQ owns the Syerston Scandium Project in NSW. Through the development of Syerston, Clean TeQ has the opportunity to become the leading, and lowest cost, supplier of scandium to the global transportation industry.</p> <p><b>Water Purification</b> – Clean TeQ’s Continuous Ionic Filtration &amp; Exchange (CIF<sup>®</sup>) and Macroporous Polymer Adsorption (MPA<sup>®</sup>) resin technologies provide cost effective solutions to the mining, oil and gas and municipal industries for the treatment of waste waters. Our technologies are designed to cope with the most demanding waters to provide best in class performance in water recovery and operability.</p>
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## Clean TeQ Metals

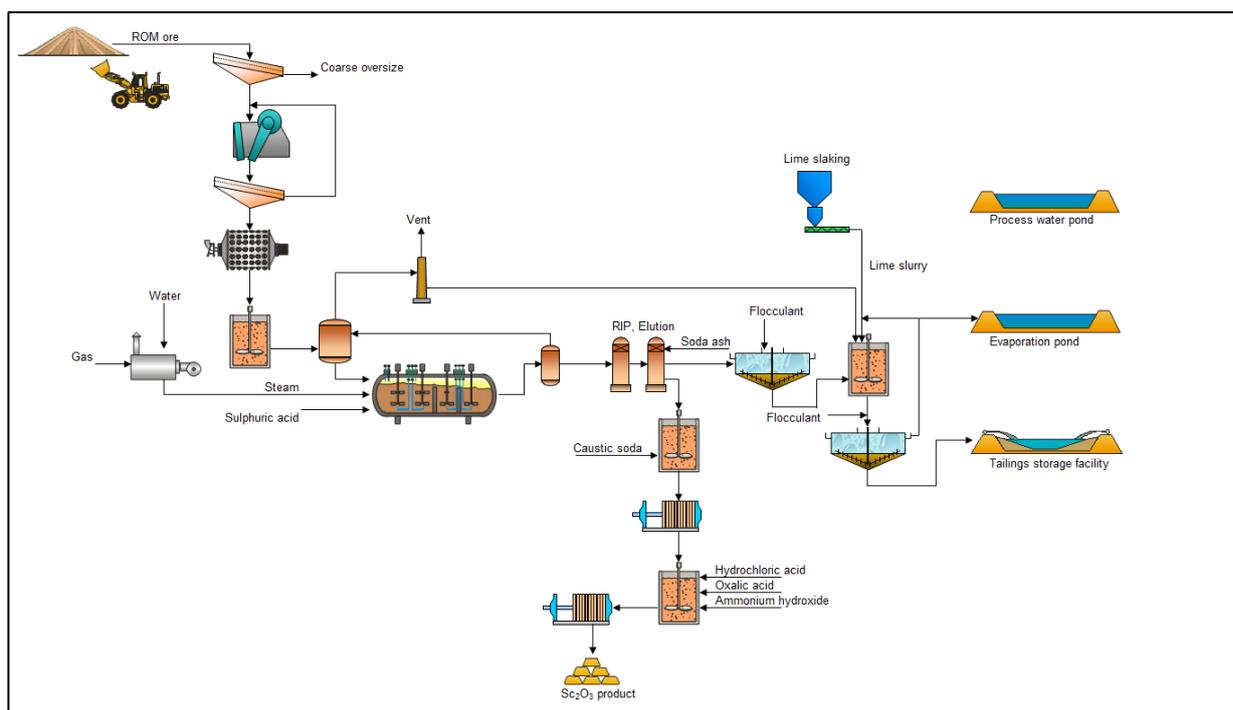
### Syerston Scandium Project

Clean TeQ is the 100% owner of the Syerston Scandium Project in central New South Wales.

During the quarter the Company commissioned a Clean-ix® Resin-in-Pulp (RIP) demonstration pilot plant at ALS Metallurgy in Perth. The demonstration plant simulates Clean TeQ's proposed scandium recovery process to be used at the Syerston Project. During September and October the demonstration plant campaign will process approximately 12 tonnes of Syerston ore, targeting production of 3kg of samples of high purity (+99.9% pure) Scandium Oxide.

As at the end of September the Company had completed the majority of the processing steps for the pilot plant including high pressure acid leaching and Resin-in-Pulp ion exchange to produce a significant quantity (approximately 2,700 litres) of scandium rich eluate liquor. From this liquor, Clean TeQ precipitated a small quantity of Scandium Oxide concentrate. This initial sample of Scandium Oxide concentrate has since been going through a series of purification steps which are required to reject impurities in order to upgrade the material to high purity (+99.9%) Scandium Oxide. Once the purification process has been confirmed, the remaining eluate liquor will be purified in the same manner in order to produce a larger quantity of high purity Scandium Oxide. Potential offtake partners will use these samples for testing and product qualification purposes.

The demonstration plant campaign and additional metallurgical test work programs currently underway will also provide key inputs into the Syerston Feasibility Study, due for completion in 2016 Q2.



**Syerston Scoping Study processing flow sheet incorporating Clean TeQ's Resin in Pulp ion exchange technology**

A key focus for the Company is securing offtake contracts to support the levels of scandium oxide production proposed in the scoping study. Clean TeQ has signed collaboration agreements with both Airbus APWorks and KBM Affilips to develop the scandium market for aerospace and other industrial sectors. The agreements provide a framework under which Clean TeQ will work with the downstream scandium supply chain to determine potential demand and the ability of the Syerston Project to meet that demand at the required price and quality specifications.

During the quarter Clean TeQ continued its positive engagement with a number of potential offtake partners. These meetings confirmed significant interest in developing an efficient, cost-effective supply chain for the aerospace and other industrial sectors where uses for light weight alloys are being developed. Over coming months, the Company will continue to determine offtake requirements, including timeframes for supply, as well as pricing and other commercial terms, with the aim of securing binding offtake commitments to underpin the development of Syerston.



*Clean TeQ's proprietary Resin-In-Pulp (CRIP) process demonstration plant*

As part of the Syerston feasibility study works, Clean TeQ is planning a 57 hole RC drill program at Syerston for a total of 1,835 metres, due to commence in early November. The drill program is primarily targeted at increasing the confidence levels of the existing scandium resource by infill drilling. A small number of holes have also been planned to test some undrilled potential high grade extensions of the orebody, targeting an increase in the overall scandium grade of the deposit. The drilling will also generate representative samples of the deposit for feasibility study metallurgical testwork including recovery optimisation and variability analysis.

### **Mt Morgan Gold/Copper Project**

Clean TeQ and Carbine Resources Limited (ASX: CRB) entered into a memorandum of understanding in November 2014 to investigate commercial avenues for the companies to work together for the development of the Mount Morgan Gold/Copper project.

As per the announcement of 15 April 2015, Clean TeQ's proprietary ion exchange technology (Clean-iX<sup>®</sup>) has been selected by Carbine for inclusion in the Mount Morgan Project Pre-Feasibility Study (PFS). Clean TeQ will work with Carbine to integrate the Clean-iX<sup>®</sup> process into the Mt Morgan PFS processing flow sheet to recover copper, reducing cyanide consumption in the gold circuit, as well as producing a valuable copper by-product to improve overall project economics. During completion of the PFS, the companies will also work together to assess the use of the Clean-iX<sup>®</sup> process for cyanide recovery and water treatment.

### **ISK**

During CY15 Q1 the Company completed a campaign on Clean TeQ's Clean-iX<sup>®</sup> scandium recovery pilot plant at Ishihara Sangyo Kaisha Ltd's (ISK) titanium dioxide facility in Yokkaichi, Japan. The piloting work confirmed Clean TeQ's ion-exchange extraction processes' ability to recover low concentrations of scandium from intermediate

process streams. Commercial discussions are ongoing in respect of the potential for Clean TeQ to provide ISK with a licence for a commercial scale Clean-iX® plant.

## Clean TeQ Water

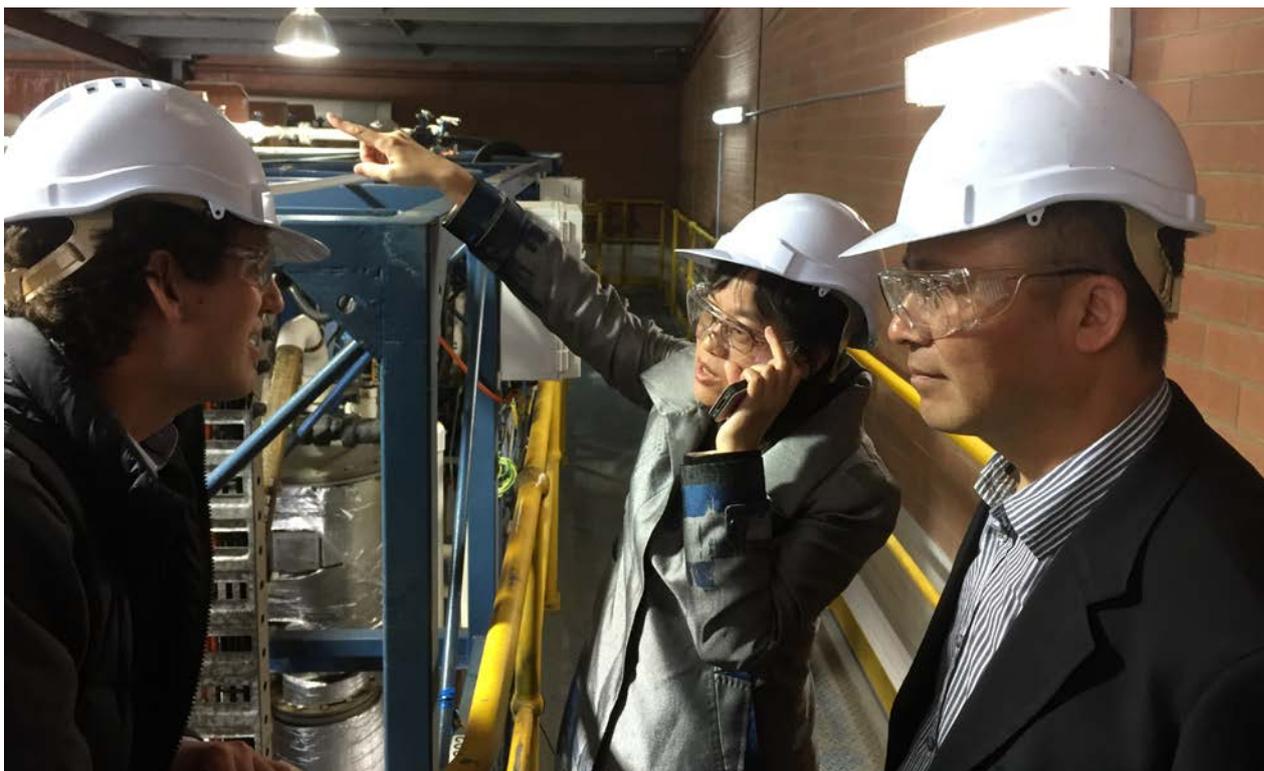
In October 2014 Clean TeQ signed a ground-breaking Heads of Agreement with Shanghai Investigation, Design and Research Institute Co. Ltd (**SIDRI**) in China to establish a local joint venture to open opportunities for large-scale projects in China deploying Clean TeQ's unique technology platform for water treatment. 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.

Under the terms of the original Heads of Agreement with SIDRI, the formal establishment of the joint venture in China was conditional upon the partners securing an initial commercial project in China utilising Clean TeQ's water purification technology. During CY15 H1 a comprehensive test work programme was undertaken which successfully demonstrated the technical viability of the Clean TeQ process to treat a complex industrial wastewater stream from a coal gasification plant in China. Following successful technology demonstration by Clean TeQ, discussions commenced with this first potential commercial customer in relation to the proposed installation of a 1,500m<sup>3</sup> per day toll treatment wastewater facility at their plant in China.

In spite of the testwork successfully demonstrating the effectiveness of the Clean TeQ solution, discussions between the Company and the customer were suspended indefinitely during the quarter due to the customer electing to instead implement a range of process improvements upstream of the proposed wastewater treatment facilities. The process improvements are expected to materially improve their recovery of valuable hydrocarbons which is likely to eliminate the need for the Clean TeQ solution. Following successful implementation of these process improvements the Company will re-engage with the customer to determine if other opportunities exist for the application of the Clean TeQ technology at their facility.

Notwithstanding the fact that the Clean TeQ/SIDRI partnership was not able to secure this initial commercial project in China utilising Clean TeQ's water purification technology, given the success of the technical trial, SIDRI has advised the Company that it wishes to proceed with the formal establishment of the joint venture in China. Negotiations with SIDRI on the formation of the JV are well advanced, however, the outcome of those discussions, and whether the JV will ultimately be secured, is still not certain. The formation of the JV with SIDRI remains the highest priority for the Company's Water Purification business. Clean TeQ believes that accessing the large Chinese market via a partnership with SIDRI – a Chinese counterparty with excellent credentials and financial backing via their parent, China Three Gorges Corporation – represents an excellent opportunity for creating long term value for shareholders.

A number of significant opportunities have also been identified outside China in a number of key markets with a focus on treatment of waste water from mining operations. The Company will continue working towards securing commercial contracts in the near future.



Representatives of SIDRI and China Three Gorges Corporation visiting the Clean TeQ scandium recovery demonstration plant in Perth in September 2015

## Corporate

In September 2015 the Company appointed Mr Eric Finlayson as a non-executive director. Mr Finlayson is a geologist with over thirty years' experience in Australia and overseas including approximately 25 years with Rio Tinto. While at Rio Tinto, Mr Finlayson held a number of senior executive roles including Director of Exploration for Australasia, Global Head of Exploration based in London and CEO of Rio Tinto Coal Mozambique following Rio Tinto's takeover of Riversdale Mining. Mr Finlayson is currently employed as the Senior Adviser - Business Development for High Power Exploration Australia.

As at 30 September 2015 cash at bank was \$8.9 million with an additional \$0.3 million cash on deposit securing performance guarantees.

In July 2015 the Company received a further \$454,536 cash rebate from the Australian Tax Office for the 45% refundable tax offset relating to eligible research and development expenditure in FY2014. The Company anticipates that a significant proportion of FY2015 and FY2016 expenditure, including a large proportion of Syerston testwork and feasibility studies, will also be eligible for the refundable tax offset.

In August 2015 the Company completed the issue of approximately 49 million shares via a non-renounceable 1 for 10 underwritten entitlement offer and top-up placement (Share Issue) to raise approximately \$8.9 million before costs.

Following completion of the Share Issue in August, Clean TeQ repaid approximately \$1.2 million in full and final settlement of the Nippon Gas loan, which resulted from the purchase by Clean TeQ of Nippon's 50% interest in technology to treat coal seam gas waters. Following repayment of the Nippon Gas loan, the only remaining debt on Clean TeQ's balance sheet is the \$3 million zero coupon promissory note repayable to Ivanhoe Mines Ltd on 31 March 2018.

As at 30 September 2015 Clean TeQ has approximately \$8.9 million available cash on hand and is fully funded to progress the development of the Company's 100% owned Syerston Scandium Project in NSW including:

- Completion of the Scandium pilot plant production run currently underway;
- Metallurgical test-work to confirm the optimal process for leaching of Scandium from ore;
- Infill drilling program, targeting an increase in confidence levels of the Syerston resource, due to commence in November 2015;
- Progressing discussions with Scandium end users with a view to securing binding offtake contracts; and
- Completion of the Syerston Feasibility Study, targeted for completion in Q2 of 2016.

Funds raised from the Issue are also to be directed towards funding the ongoing development of Clean TeQ's Water Business, including any equity contribution required for the formation of the Joint Venture with SIDRI in China. Clean TeQ and SIDRI continue to assess projects in China, in both water treatment and metals recovery, as a basis for establishing the Joint Venture.

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**About Clean TeQ Holdings Limited (ASX: CLQ)** – Based in Melbourne, Clean TeQ, using its proprietary Clean-iX<sup>®</sup> continuous ion exchange technology, is a leader in resource recovery and industrial water treatment. For more information about Clean TeQ please visit the Company's website at [www.cleanteq.com](http://www.cleanteq.com).

*This release may contain forward-looking statements. The actual results could differ materially from a conclusion, forecast or projection in the forward-looking information. Certain material factors or assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information.*